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RE THE ARIZONA CORPORATION COMMISSION
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4 BOB STUMP
5 BOB BURNS
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AZ CORP COMMISSION
DOCKET CONTROL

8 IN THE MATTER OF THE APPLICATION OF
9 RED ROCK UTILITIES, LLC, AN ARIZONA
10 LIMITED LIABILITY COMPANY, FOR A
11 DETERMINATION OF THE FAIR VALUE OF
12 ITS UTILITY PLANT AND PROPERTY AND
13 FOR INCREASES IN ITS WATER AND
14 WASTEWATER RATES AND CHARGES FOR
15 UTILITY SERVICE BASED THEREON.

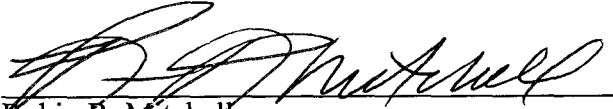
DOCKET NO. WS-04245A-14-0295

**STAFF'S NOTICE OF
FILING DIRECT TESTIMONY**

16 Staff of the Arizona Corporation Commission ("Staff") hereby files the Direct Testimony of
17 Crystal Brown and Dorothy Hains, in the above-captioned docket.

18 RESPECTFULLY SUBMITTED this 25th day of February, 2015.

19 ORIGINAL


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20 Original and thirteen (13) copies of the
21 foregoing filed this 25th day of February,
22 2015, with:


23 Docket Control
24 Arizona Corporation Commission
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Arizona Corporation Commission
DOCKETED

FEB 25 2015

27 Copy of the foregoing mailed this
28 25th day of February, 2015, to:

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BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH

Chairman

BOB STUMP

Commissioner

BOB BURNS

Commissioner

DOUG LITTLE

Commissioner

TOM FORESE

Commissioner

IN THE MATTER OF THE APPLICATION OF)
RED ROCK UTILITIES, LLC, AN ARIZONA)
LIMITED LIABILITY COMPANY, FOR A)
DETERMINATION OF THE FAIR VALUE OF)
ITS UTILITY PLANT AND PROPERTY AND)
FOR INCREASES IN ITS WATER AND)
WASTEWATER RATES AND CHARGES)
FOR UTILITY SERVICE BASED THEREON.)

DOCKET NO. WS-04245A-14-0295

DIRECT

TESTIMONY

OF

CRYSTAL S. BROWN

EXECUTIVE CONSULTANT III

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

FEBRUARY 25, 2014

TABLE OF CONTENTS

	Page
INTRODUCTION	1
BACKGROUND.....	2
CONSUMER SERVICE	3
COMPLIANCE	4
SUMMARY OF PROPOSED REVENUES.....	4
STAFF'S ALTERNATIVE REVENUE REQUIREMENT PROPOSALS: PLAN A AND PLAN B	4
<i>Red Rock Water</i>	8
<i>Red Rock Wastewater</i>	8
<i>Rate Base Adjustments</i>	9
<i>Operating Income Adjustments</i>	10
RATE BASE.....	11
<i>Fair Value Rate Base</i>	11
<i>Rate Base Summary</i>	12
<i>Rate Base Adjustment No. 1 (Water and Wastewater) – Not Used and Useful Plant</i>	12
<i>Rate Base Adjustment No. 2 (Wastewater) – Inappropriate Non Plant Cost</i>	13
<i>Lack of Reported Pumping Equipment Plant (Water Division)</i>	13
<i>Rate Base Adjustment No. 2 (Water) – Expensed Plant</i>	14
<i>Rate Base Adjustment No. 3 (Water) – Pump Retirement</i>	15
<i>Rate Base Adjustment No. 4 (Water) and No. 3 (Wastewater) – Reclassified Plant</i>	15
<i>Rate Base Adjustment No. 5 (Water) and No. 4 (Wastewater) – Accumulated Depreciation</i>	16
<i>Rate Base Adjustment No. 5 (Wastewater) –CLAC and Amortization of CLAC</i>	17
<i>Rate Base Adjustment No. 6 (Water) – ALAC</i>	17
OPERATING INCOME	18
<i>Operating Income Summary</i>	18
<i>Operating Income Adjustment No. 1 (Water and Wastewater) – Revenue</i>	18
<i>Operating Income Adjustment No. 2 (Water and Wastewater) – Purchased Power</i>	20
<i>Operating Income Adjustment No. 3 (Water) – Repairs and Maintenance Expense</i>	20
<i>Operating Income Adjustment No. 4 (Water) and No. 3 (Wastewater) – Contractual Services, Management Fees / Other</i>	21
<i>Operating Income Adjustment No. 5 (Water) and No. 4 (Wastewater) – Contractual Services, Water Testing</i>	22
<i>Operating Income Adjustment No. 6 (Water) and No. 5 (Wastewater) – Depreciation Expense</i>	22
<i>Deferral of Depreciation Expense On Excess Capacity Plant</i>	23
<i>Operating Income Adjustment No. 7 (Water) and No. 6 (Wastewater) –Property Taxes</i>	24
<i>Operating Income Adjustment No. 16 – Income Tax Allowance</i>	25
COST OF CAPITAL	26

SCHEDULES

Plan A- Water

Revenue Requirement.....	Plan A CSB-1
Gross Revenue Conversion Factor.....	Plan A CSB-2
Rate Base – Original Cost	Plan A CSB-3
Rate Base – Summary of Original Cost Rate Base Adjustments.....	Plan A CSB-4
Rate Base Adjustment No. 1 – Not Used and Useful Plant	Plan A CSB-5
Rate Base Adjustment No. 2 – Expensed Plant	Plan A CSB-6
Rate Base Adjustment No. 3 – Pump Retirement	Plan A CSB-7
Rate Base Adjustment No. 4 – Reclassified Plant	Plan A CSB-8
Rate Base Adjustment No. 5 – Accumulated Depreciation	Plan A CSB-9
Rate Base Adjustment No. 6 – AIAC	Plan A CSB-10
Operating Income Statement – Test Year and Staff Recommended.....	Plan A CSB-11
Summary of Operating Income Adjustments – Test Year.....	Plan A CSB-12
Operating Income Adjustment No. 1 – Revenue.....	Plan A CSB-13
Operating Income Adjustment No. 2 – Purchased Power	Plan A CSB-14
Operating Income Adjustment No. 3 – Repair and Maintenance.....	Plan A CSB-15
Operating Income Adjustment No. 4 – Contract Services, Management Fee.....	Plan A CSB-16
Operating Income Adjustment No. 5 – Contract Services, Water Testing.....	Plan A CSB-17
Operating Income Adjustment No. 6 – Depreciation Expense	Plan A CSB-18
Operating Income Adjustment No. 7 – Property Tax Expense	Plan A CSB-19
Operating Income Adjustment No. 8 – Income Tax Expense.....	Plan A CSB-20

Plan B-Water

Revenue Requirement.....	Plan A CSB-1
Gross Revenue Conversion Factor.....	Plan A CSB-2
Rate Base – Original Cost	Plan A CSB-3
Rate Base – Summary of Original Cost Rate Base Adjustments.....	Plan A CSB-4
Rate Base Adjustment No. 1 – Not Used and Useful Plant	Plan A CSB-5
Rate Base Adjustment No. 2 – Expensed Plant	Plan A CSB-6
Rate Base Adjustment No. 3 – Pump Retirement	Plan A CSB-7
Rate Base Adjustment No. 4 – Reclassified Plant	Plan A CSB-8
Rate Base Adjustment No. 5 – Accumulated Depreciation	Plan A CSB-9
Rate Base Adjustment No. 6 – AIAC	Plan A CSB-10
Operating Income Statement – Test Year and Staff Recommended.....	Plan A CSB-11
Summary of Operating Income Adjustments – Test Year.....	Plan A CSB-12
Operating Income Adjustment No. 1 – Revenue.....	Plan A CSB-13
Operating Income Adjustment No. 2 – Purchased Power	Plan A CSB-14
Operating Income Adjustment No. 3 – Repair and Maintenance.....	Plan A CSB-15
Operating Income Adjustment No. 4 – Contract Services, Management Fee.....	Plan A CSB-16
Operating Income Adjustment No. 5 – Contract Services, Water Testing.....	Plan A CSB-17
Operating Income Adjustment No. 6 – Depreciation Expense	Plan A CSB-18
Operating Income Adjustment No. 7 – Property Tax Expense	Plan A CSB-19
Operating Income Adjustment No. 8 – Income Tax Expense.....	Plan A CSB-20

Plan A- Wastewater

Revenue Requirement.....	Plan A CSB-1
Gross Revenue Conversion Factor.....	Plan A CSB-2
Rate Base – Original Cost	Plan A CSB-3
Rate Base – Summary of Original Cost Rate Base Adjustments.....	Plan A CSB-4
Rate Base Adjustment No. 1 – Not Used and Useful Plant	Plan A CSB-5
Rate Base Adjustment No. 2 – Non Plant Costs	Plan A CSB-6
Rate Base Adjustment No. 3 – Reclassified Plant	Plan A CSB-7

Rate Base Adjustment No. 4 – Accumulated Depreciation	Plan A CSB-8
Rate Base Adjustment No. 5 – CIAC & Amortization of CIAC.....	Plan A CSB-9
Operating Income Statement – Test Year and Staff Recommended.....	Plan A CSB-10
Summary of Operating Income Adjustments – Test Year.....	Plan A CSB-11
Operating Income Adjustment No. 1 – Revenue.....	Plan A CSB-12
Operating Income Adjustment No. 2 – Purchased Power	Plan A CSB-13
Operating Income Adjustment No. 3 – Contract Services, Management Fee	Plan A CSB-14
Operating Income Adjustment No. 4 – Contract Services, Water Testing.....	Plan A CSB-15
Operating Income Adjustment No. 5 – Depreciation Expense	Plan A CSB-16
Operating Income Adjustment No. 6 – Property Tax Expense	Plan A CSB-17
Operating Income Adjustment No. 7 – Income Tax Expense.....	Plan A CSB-18

Plan B- Wastewater

Revenue Requirement.....	Plan B CSB-1
Gross Revenue Conversion Factor.....	Plan B CSB-2
Rate Base – Original Cost	Plan B CSB-3
Rate Base – Summary of Original Cost Rate Base Adjustments.....	Plan B CSB-4
Rate Base Adjustment No. 1 – Not Used and Useful Plant	Plan B CSB-5
Rate Base Adjustment No. 2 – Non Plant Costs	Plan B CSB-6
Rate Base Adjustment No. 3 – Reclassified Plant	Plan B CSB-7
Rate Base Adjustment No. 4 – Accumulated Depreciation	Plan B CSB-8
Rate Base Adjustment No. 5 – CIAC & Amortization of CIAC.....	Plan B CSB-9
Operating Income Statement – Test Year and Staff Recommended.....	Plan B CSB-10
Summary of Operating Income Adjustments – Test Year.....	Plan B CSB-11
Operating Income Adjustment No. 1 – Revenue.....	Plan B CSB-12
Operating Income Adjustment No. 2 – Purchased Power	Plan B CSB-13
Operating Income Adjustment No. 3 – Contract Services, Management Fee	Plan B CSB-14
Operating Income Adjustment No. 4 – Contract Services, Water Testing.....	Plan B CSB-15
Operating Income Adjustment No. 5 – Depreciation Expense	Plan B CSB-16
Operating Income Adjustment No. 6 – Property Tax Expense	Plan B CSB-17
Operating Income Adjustment No. 7 – Income Tax Expense.....	Plan B CSB-18

Cost of Capital

Capital Structure and Weighted Cost of Capital	Cost of Capital CSB-1
Intentionally Left Blank.....	Cost of Capital CSB-2
Final Cost of Equity Estimates for Sample Water Utilities.....	Cost of Capital CSB-3
Average Capital Structure of Sample Water Utilities.....	Cost of Capital CSB-4
Growth in Earnings & Dividends of Sample Water Utilities	Cost of Capital CSB-5
Sustainable Growth for Sample Water Utilities.....	Cost of Capital CSB-6
Selected Financial Data of Sample Water Utilities.....	Cost of Capital CSB-7
Calculation of Expected Infinite Annual Growth in Dividends	Cost of Capital CSB-8
Multi-Stage DCF Estimates	Cost of Capital CSB-9
Cost of Capital Calculation Capitalization.....	Cost of Capital CSB-10

**EXECUTIVE SUMMARY
RED ROCK UTILITIES, LLC
DOCKET NO. WS-04245A-14-0295**

Red Rock Utilities, LLC ("Red Rock" or "Company") is an Arizona Class C utility engaged in the business of providing water and wastewater service in portions of Pinal County, Arizona. Red Rock provided water service to approximately 586 customers and wastewater service to approximately 619 customers during the test year. The current rates for Red Rock's water and wastewater divisions were approved in Decision No. 67409, dated November 2, 2004.

Red Rock – Water Division ("Red Rock Water")

Red Rock Water proposes a \$14,480, or 2.72 percent revenue increase from \$533,046 to \$547,525. The proposed revenue increase would produce an operating income of \$130,934 for a 9.50 percent rate of return ("ROR") on an original cost rate base ("OCRB") of \$1,378,255.

Staff developed revenue requirements under Plan A (i.e., Break-Even method) and under Plan B (i.e., ROR method). Staff recommends the Plan A revenue requirement which provides a \$2,207 or 0.63 percent revenue increase from \$353,109 to \$355,316. Staff's recommended revenue increase would produce an operating income of \$0 for a 0 percent ROR on an OCRB of \$1,389,355 as shown on Schedule CSB-1.

Staff's typical bill analysis information will be filed with Staff's rate design testimony.

Red Rock – Wastewater Division ("Red Rock Wastewater")

Red Rock Wastewater proposes a \$356,957, or 74.75 percent revenue increase from \$477,549 to \$834,505. The proposed revenue increase would produce an operating income of \$88,950 for a 9.50 percent ROR on an OCRB of \$936,312.

Staff developed revenue requirements under Plan A (i.e., Break-Even method) and under Plan B (i.e., ROR method). Staff recommends the Plan A revenue requirement which provides a \$355,517 or 123.47 percent revenue increase from \$287,949 to \$643,466. Staff's recommended revenue increase would produce an operating income of \$0 for a 0 percent ROR on an OCRB of \$976,488 as shown on Plan A Schedule CSB-1.

Staff's typical bill analysis information will be filed with Staff's rate design testimony.

Cost of Capital

Staff's cost of capital analysis resulted in a ROR of 9.4 percent. However, in order to minimize differences between the parties, Staff has adopted the Company proposed ROR of 9.5 percent.

1 **INTRODUCTION**

2 **Q. Please state your name, occupation, and business address.**

3 A. My name is Crystal S. Brown. I am an Executive Consultant III employed by the Arizona
4 Corporation Commission ("Commission") in the Utilities Division ("Staff"). My business
5 address is 1200 West Washington Street, Phoenix, Arizona 85007.

6
7 **Q. Briefly describe your responsibilities as an Executive Consultant III.**

8 A. I am responsible for the examination and verification of financial and statistical information
9 included in utility rate applications and other financial matters, including performing studies
10 to estimate the cost of capital component in rate filings and developing revenue requirements.
11 In addition, I prepare written reports, testimonies, and schedules that include Staff
12 recommendations to the Commission. I am also responsible for testifying at formal hearings
13 on these matters.

14
15 **Q. Please describe your educational background and professional experience.**

16 A. I received a Bachelor of Science Degree in Business Administration from the University of
17 Arizona and a Bachelor of Science Degree in Accounting from Arizona State University.

18
19 Since joining the Commission in August 1996, I have participated in numerous rate cases and
20 other regulatory proceedings involving electric, gas, water, and wastewater utilities. I have
21 testified on matters involving regulatory accounting and auditing. Additionally, I have
22 attended utility-related seminars sponsored by the National Association of Regulatory Utility
23 Commissioners ("NARUC") on ratemaking and accounting designed to provide continuing
24 and updated education in these areas.

25

1 **Q. What is the scope of your testimony in this case?**

2 A. I am presenting Staff's analysis and recommendations in the areas of rate base, operating
3 revenues, expenses, and cost of capital regarding the Red Rock Utilities, LLC's ("Red Rock"
4 or "Company") application for a permanent rate increase for its water division ("Red Rock
5 Water") and wastewater division ("Red Rock Wastewater"). I will present Staff's testimony
6 regarding the Company's rate design in a separate filing. Staff witness, Dorothy Hains, is
7 presenting Staff's engineering analysis and recommendations.
8

9 **Q. What is the basis of your recommendations?**

10 A. I performed a regulatory audit of the Company's application to determine whether sufficient,
11 relevant, and reliable evidence exists to support the Company's requested rate increase. The
12 regulatory audit consisted of examining and testing the financial information, accounting
13 records, and other supporting documentation and verifying that the accounting principles
14 applied were in accordance with the Commission-adopted NARUC Uniform System of
15 Accounts ("USoA").
16

17 **BACKGROUND**

18 **Q. Please provide a brief description of Red Rock and the service it provides.**

19 A. Red Rock is an Arizona Class C utility engaged in the business of providing water and
20 wastewater service in portions of Pinal County, Arizona. Red Rock provided water service to
21 approximately 586 customers and wastewater service to approximately 619 customers during
22 the test year. The current rates for Red Rock's water and wastewater divisions were approved
23 in Decision No. 67409, dated November 2, 2004.
24

1 **Q. What are the primary reasons for Red Rock's requested permanent rate increase?**

2 A. According to the Company, the primary reasons are to recover increased operating expenses
3 and to earn its authorized rate of return ("ROR") on its rate base. In addition, the
4 Commission in Decision No. 67409, dated November 2, 2004, ordered Red Rock to file a
5 rate case as a compliance item in the Company's original Certificate of Convenience Necessity
6 ("CC&N") proceeding, Docket No. WS-04245A-04-0184.

7
8 **CONSUMER SERVICE**

9 **Q. Please provide a brief history of customer complaints received by the Commission**
10 **regarding Red Rock.**

11 A. Staff reviewed the Commission's records and found the following:

12
13 *Red Rock Water*

14 The history of customer complaints for Red Rock Water for the period January 2012 to
15 January 2015 is as follows:

16 2012 – No complaints.

17 2013 – One complaint regarding quality of service.

18 2014 – Two complaints regarding billing.

19 2015 – No complaints.

20
21 *Red Rock Wastewater*

22 The history of customer complaints for Red Rock Wastewater for the period January 2012 to
23 January 2015 is as follows:

24 2012 – No complaints.

25 2013 – No complaints.

26 2014 – No complaints.

2015 – No complaints.

All complaints have been resolved and closed.

COMPLIANCE

Q. Please provide a summary of the compliance status of Red Rock.

A. A check of the Commission's Compliance database indicates that Red Rock is currently in compliance.

SUMMARY OF PROPOSED REVENUES

Q. Please summarize Red Rock's filing.

A. Red Rock proposes, in aggregate, \$1,382,030 of total annual operating revenue. This represents an increase of \$371,437, or 36.75 percent, over test year revenue of \$1,010,595. The amount for each division is shown below.

Company Proposed

	Red Rock Utility Company Test Year <u>Revenue</u>	Red Rock Utility Company <u>Proposed Revenue</u>	<u>\$ Increase</u>	<u>% Increase</u>
Red Rock Water	\$ 533,046	\$ 547,525	\$ 14,480	2.72%
Red Rock Wastewater	\$ 477,549	\$ 834,504	\$356,957	74.75%
Total	\$1,010,595	\$1,382,029	\$371,437	
Overall				36.75% Overall

STAFF'S ALTERNATIVE REVENUE REQUIREMENT PROPOSALS: PLAN A AND PLAN B

Q. Is Staff presenting two revenue requirements?

A. Yes, Staff is presenting two revenue requirement alternatives. Plan A (or the Break Even method) was developed using no rate of return and Plan B (or the ROR method) was developed using the Company proposed and the Staff recommended ROR of 9.5 percent.

1 **Q. Why is Staff presenting more than one revenue requirement?**

2 A. There are two reasons. First, developing dual revenue requirements, one with and one
3 without a ROR, will provide the Commission with alternative revenue requirements to
4 consider. Second, Staff has determined that it is more appropriate to address the issue of the
5 magnitude of the Company's revenue increase through the ROR given the circumstances of
6 this case rather than by making the inappropriate pro forma adjustments and an accounting
7 request proposed by the Company.

8
9 **Q. Does the Company's pro forma adjustments allow the Company to earn its authorized**
10 **ROR?**

11 A. No, it does not. Staff believes that it is important to fully disclose and acknowledge that the
12 revenue requirement proposals advocated by the Red Rock do not really position the
13 Company to earn its authorized ROR on its rate base as it suggests in its discussion of the
14 reasons for docketing this rate application. Specifically, the Company's proforma income
15 statement presented on the C-1 Schedules of the Company's application suggests that with
16 the increase requested the Company will actually be positioned to achieve a positive level of
17 "Net Profit." However, these positive net margins are due to very large revenue imputations
18 from non-existent customers and from extremely large depreciation expense deferrals. Staff
19 will address these matters later in testimony, but wants to make it clear up front that the
20 Company's financial situation is not accurately reflected on its C-1 Schedules.

21
22 **Q. What pro forma adjustments and accounting requests did the Company propose that**
23 **Staff did not agree with?**

24 A. The Company made pro forma adjustments to reflect revenue and expense from customer
25 growth that Staff has determined is unlikely to occur and which are, more importantly, not
26 known and measurable. Additionally, the Company has proposed that the depreciation

1 expense on its excess capacity plant be deferred until its next rate case. This deferral request
2 is inconsistent with the matching principle and the NARUC USoA and deferring such
3 depreciation expense for future recovery from ratepayers is inappropriate. The Company has
4 also requested to forgo the recovery of income tax expense which is inconsistent with the
5 intent of the Commission's Income Tax Allowance policy.
6

7 **Q. Please discuss Staff's Plan A and Plan B revenue requirements.**

8 A. Under Plan A, the revenue requirement is developed to recover only the Staff recommended
9 operating expenses resulting in no operating income (i.e., break-even). Under Plan B, the
10 revenue requirement is developed using the Staff recommended rate base, revenue, and
11 expense adjustments and provides a 9.5 percent ROR on the Staff recommended original cost
12 rate base ("OCRB").
13

14 *Plan A Revenue Requirements for Water and Wastewater Divisions*

15 For the water division, the Plan A revenue requirement would provide a \$2,207 or 0.63
16 percent revenue increase from \$353,109 to \$355,316. Staff's recommended revenue increase
17 would produce an operating income of \$0 for a 0 percent ROR on an OCRB of \$1,389,355 as
18 shown on the Plan A Schedule CSB-1 for the water division. For the wastewater division, the
19 Plan A revenue requirement would provide a \$355,517 or 123.47 percent increase from
20 \$287,949 to \$643,466. Staff's recommended revenue increase would produce an operating
21 income of \$0 for a 0 percent ROR on an OCRB of \$976,488 as shown on the Plan A
22 Schedule CSB-1 for the wastewater division.
23

Plan B Revenue Requirements for Water and Wastewater Divisions

For the water division, the Plan B revenue requirement would provide a \$207,670 or 58.81 percent revenue increase from \$353,109 to \$560,779. The Plan B revenue increase would produce an operating income of \$131,989 for a 9.5 percent ROR on an OCRB of \$1,389,355 as shown on Plan B Schedule CSB-1 for the water division. For the wastewater division, the Plan B revenue requirement would provide a \$491,049 or 170.53 percent revenue increase from \$287,949 to \$778,998. The Plan B revenue increase would produce an operating income of \$92,766 for a 9.5 percent ROR on an OCRB of \$976,488 as shown on Plan B Schedule CSB-1 for the wastewater division.

Q. What revenue requirement is Staff recommending?

A. Staff is recommending the Plan A (or Break Even) revenue requirement.

Q. Please summarize Staff's recommended revenue under Plan A.

A. Staff recommends a revenue requirement of \$998,782 in aggregate. This represents an increase of \$357,724, or 55.80 percent. The amount for each division is shown below.

Staff Recommended	Test Year	Plan A	\$ Increase	% Increase
	<u>Per Staff</u>	<u>Recommended</u>		
Red Rock Water	\$353,109	\$355,316	\$ 2,207	0.63%
Red Rock Wastewater	\$287,949	\$643,466	\$355,517	123.47%
Total	\$641,058	\$998,782	\$357,724	
Overall				55.80% Overall

The above proposed and recommended revenue requirements would apply to the customers of each division of Red Rock as discussed below:

1 *Red Rock Water*

2 Red Rock Water proposes a \$14,480, or 2.72 percent revenue increase from \$533,046 to
3 \$547,525. The proposed revenue increase would produce an operating income of \$130,934
4 for a 9.50 percent ROR on an OCRB of \$1,378,255.

5
6 Staff's recommended Plan A revenue requirement provides a \$2,207 or 0.63 percent revenue
7 increase from \$353,109 to \$355,316. Staff's recommended revenue increase would produce
8 an operating income of \$0 for a 0 percent ROR on an OCRB of \$1,389,355 as shown on
9 Schedule CSB-1. Staff's typical bill analysis information will be filed with Staff's rate design
10 testimony.

11
12 *Red Rock Wastewater*

13 Red Rock Wastewater proposes a \$356,957, or 74.75 percent revenue increase from \$477,549
14 to \$834,505. The proposed revenue increase would produce an operating income of \$88,950
15 for a 9.50 percent ROR on an OCRB of \$936,312.

16
17 Staff's recommended Plan A revenue requirement provides a \$355,517 or 123.47 percent
18 revenue increase from \$287,949 to \$643,466. Staff's recommended revenue increase would
19 produce an operating income of \$0 for a 0 percent ROR on an OCRB of \$976,488 as shown
20 on Plan A Schedule CSB-1. Staff's typical bill analysis information will be filed with Staff's
21 rate design testimony.

22
23 **Q. What test year did Red Rock utilize in this filing?**

24 **A.** Red Rock's test year is based on the twelve months ended December 31, 2013.
25

1 **Q. Please summarize Staff's rate base and operating income adjustments for Red Rock.**

2 A. Staff's adjustments to revenues, operating revenue and expenses address the following:

3
4 *Rate Base Adjustments*

5 Not Used and Useful Plant – This adjustment decreases plant in service by \$377,090 for the
6 water division and \$549,043 for the wastewater division to remove plant that is not used and
7 useful.

8
9 Disallowed Plant Cost – This adjustment decreases the franchise cost plant account by \$4,924
10 for only the wastewater division to remove costs incurred to explore the possibility of
11 forming partnerships with other entities that did not actually occur.

12
13 Expensed Plant – This adjustment increases Account No. 311, Electric Pumping Equipment
14 by \$3,387 for only the water division. It reclassifies the cost incurred for the purchase of a
15 pump from the repairs and maintenance account to the electric pumping equipment account.

16
17 Pump Retirement – This adjustment decreases the pumping equipment plant account by
18 \$2,561 for only the water division to reflect the estimated cost of a pump that is no longer in
19 service.

20
21 Reclassified Plant – This adjustment reclassifies a net reduction of \$22,094 in plant assets
22 from the water division and a net \$22,094 increase in plant assets for the wastewater. This
23 reclassification of plant accounts was based upon a review of invoices and discussions with
24 the Company in order to ensure that the costs are included in the correct NARUC plant
25 account and to help ensure that the plant will be depreciated using the correct depreciation
26 rate.

1 Accumulated Depreciation – This adjustment decreases accumulated depreciation by \$42,966
2 for the water division and \$49,414 for the wastewater division. The adjustment reflects
3 Staff's calculation of accumulated depreciation based on Staff's adjustments to plant.
4

5 *Operating Income Adjustments*

6 Revenue – This adjustment decreases revenue by \$179,937 for the water division and
7 \$189,600 for the wastewater division to remove the Company's pro forma adjustment
8 reflecting additional revenues for 400 new customers over the next five years as the revenue
9 projection is not supported by compelling evidence, is too far beyond the test year, and is,
10 therefore, not known and measurable.
11

12 Purchased Power Expense – This adjustment decreases purchased power expense by \$9,503
13 for the water division and \$38,517 for the wastewater division to remove the Company's pro
14 forma adjustment reflecting additional purchased power expense for customer growth that is
15 not known and measurable.
16

17 Repairs and Maintenance – This adjustment decreases repairs and maintenance expense by
18 \$3,387 for the water division only. It removes plant costs that the Company expensed when
19 paid rather than capitalized and depreciated.
20

21 Contractual Services, Management Fee and Contractual Services, Other – This adjustment
22 decreases contractual services, management fee expense by \$50,000 for the water division and
23 contractual services, other expense by \$50,000 for the wastewater division to remove costs
24 for which the Company did not to provide supporting invoices.
25

1 Contractual Services, Water Testing – This adjustment increases contractual services, water
2 testing expense by \$1,240 for the water division and \$4,845 for the wastewater division to
3 reflect Staff's recommended annual water testing costs.

4
5 Depreciation Expense – This adjustment increases depreciation expense by \$9,547 for the
6 water division and decreases depreciation expense by \$8,943 for the wastewater division to
7 reflect Staff's calculation of depreciation expense using Staff's recommended depreciation
8 rates and Staff's recommended plant and Contributions in Aid of Construction ("CIAC")
9 balances.

10
11 Property Tax – This adjustment decreases property tax expense by \$8,968 for the water
12 division and \$9,449 for the wastewater division to reflect Staff's calculation of the Company's
13 property tax expense.

14
15 Income Tax Expense – This adjustment decreases income tax expense by \$446 for the water
16 division and \$133,460 for the wastewater division to reflect the income tax calculation on
17 Staff's adjusted test year operating income.

18
19 **RATE BASE**

20 *Fair Value Rate Base*

21 **Q. Did the Company prepare schedules showing the elements of Reconstruction Cost**
22 **New Rate Base?**

23 **A. No, the Company did not. The Company's filing treats the OCRB the same as the fair value**
24 **rate base.**

25

1 *Rate Base Summary*

2 **Q. Please summarize Staff's recommendation for Red Rock's rate base for its water and**
3 **wastewater divisions as shown on Schedules CSB-3 and CSB-4 for the water and**
4 **wastewater divisions.**

5 A. For the water division, Staff's adjustments to Red Rock's rate base resulted in a net increase
6 of \$11,100, from \$1,378,255 to \$1,389,355. For the wastewater division, Staff's adjustments
7 to Red Rock's rate base resulted in a net increase of \$40,176, from \$936,312 to \$976,488.
8 These increases were primarily due to (1) Staff's removal of not used and useful plant and the
9 related accumulated depreciation, CIAC, amortization of CIAC, and Advances in Aid of
10 Construction ("AIAC") and (2) Staff's reclassifications.

11
12 *Rate Base Adjustment No. 1 (Water and Wastewater) – Not Used and Useful Plant*

13 **Q. Did the Company include in rate base plant that was not used and useful?**

14 A. Yes, Staff identified \$377,090 in plant for the water division and \$549,043 for the wastewater
15 division that was not used and useful as shown on Schedule CSB-4 for the water and
16 wastewater divisions.

17
18 **Q. What was the basis of Staff's determination?**

19 A. Staff inspected the entire system and identified certain individual plant items that were not
20 serving customers during the test year. (See Engineering testimony).

21
22 **Q. What is Staff recommending?**

23 A. Staff recommends decreasing plant in service by \$377,090 for the water division and \$549,043
24 for the wastewater division as shown on Schedules CSB-4 and CSB-5 for the water and
25 wastewater divisions.

26

Rate Base Adjustment No. 2 (Wastewater) – Inappropriate Non Plant Cost

Q. What amount is the Company proposing for Account No. 352, Franchise Costs?

A. The Company is proposing \$59,751.

Q. During the audit, did Staff identify costs included in the Franchise Costs account that should have been expensed in the year incurred rather than added to plant?

A. Yes, as part of support for the Company's franchise cost, the Company provided invoices totaling \$4,924 that were incurred in the year 2004. These invoices related to legal expenses incurred for exploring the possibility of forming partnerships with other entities that did not actually occur.

Q. What is Staff recommending?

A. Staff recommends decreasing plant in service by \$4,924 for the wastewater division to remove non plant costs as shown on Schedules CSB-4 and CSB-6.

Lack of Reported Pumping Equipment Plant (Water Division)

Q. Did Staff review the Company's plant in service Schedule B-2, page 3.11 for the water division that was filed in the instant case?

A. Yes.

Q. What amount was reported for Account No. 311, Pumping Equipment?

A. No amount was reported for pumping equipment.

Q. Is Staff concerned that no pump additions or retirements were reported on the Company's schedule B-2?

A. Yes.

1 **Q. What is Staff's concern?**

2 A. The Company has pumping equipment that is being used to provide service to customers.
3 Staff's concern is that the Company is not recording pump additions and retirements in
4 accordance with the NARUC USoA. This may lead to incorrect information from which to
5 develop the revenue requirement.

6
7 **Q. What is Staff's recommendation?**

8 A. Staff recommends that the Company record its pump costs and all other plant costs in
9 accordance with the NARUC USoA.

10

11 *Rate Base Adjustment No. 2 (Water) – Expensed Plant*

12 **Q. Did Red Rock Water record as an operating expense the cost incurred for plant?**

13 A. Yes, the Company recorded the cost incurred for the purchase of a pump in the repairs and
14 maintenance account rather than the electric pumping equipment account.

15

16 **Q. What is the effect of expensing plant?**

17 A. The matching principle is violated. The NARUC USoA requires utilities to follow accrual
18 accounting. The matching principle is the underlying basis of accrual accounting. The
19 matching principle requires that revenues in an accounting period be matched to the expenses
20 incurred during that same accounting period.

21

22 The practice of expensing plant violates the matching principle because the entire cost of the
23 asset is matched to only one accounting period even though the asset will benefit many
24 accounting periods. Adherence to the matching principle and the NARUC USoA requires
25 that the cost of an asset that benefits more than one accounting period be capitalized (by
26 recording it in a plant account) and depreciated over the asset's useful life.

1 **Q. What is Staff's recommendation?**

2 A. Staff recommends increasing plant in service by \$3,387 to reclassify plant that was incorrectly
3 recorded as an operating expense as shown on Schedules CSB-4 and CSB-6 for the water
4 division.

5

6 *Rate Base Adjustment No. 3 (Water) – Pump Retirement*

7 **Q. Did Red Rock Water's plant balance reflect all retirements related to its pumping**
8 **equipment?**

9 A. No, it did not. The Company purchased a pump in 2013 to replace a pump that was no
10 longer operational. The Company did not record a retirement for the pump that was taken
11 out of service.

12

13 **Q. What is the amount of retirement?**

14 A. The amount of the retirement is \$2,561.

15

16 **Q. What is Staff recommending?**

17 A. Staff recommends decreasing plant in service by \$2,561 as shown on Schedules CSB-4 and
18 CSB-7 for the water division.

19

20 *Rate Base Adjustment No. 4 (Water) and No. 3 (Wastewater) – Reclassified Plant*

21 **Q. During the course of the audit, did Staff identify any plant that was incorrectly**
22 **classified?**

23 A. Yes, Staff reclassified a net reduction of \$22,094 in plant assets from the water division and a
24 net \$22,094 increase in plant assets for the wastewater.

25

1 **Q. What was the basis of Staff's determination?**

2 A. Staff reviewed the related invoices.

3
4 **Q. Why is the correct classification needed?**

5 A. The NARUC USoA requires that plant costs be placed in the correct plant account.
6 Reclassification will help to ensure that the depreciation expense will be calculated using the
7 correct depreciation rate.

8
9 **Q. What is Staff's Recommendation?**

10 A. Staff recommends decreasing the plant in service for the water division by \$22,094 as shown
11 on Schedules CSB-4 and CSB-8 and increasing the plant in service for the wastewater division
12 by \$22,094 as shown on Schedules CSB-4 and CSB-7.

13
14 **Q. Did Staff Engineering identify costs related to water treatment plant that may not be**
15 **used and useful and for which Staff has sent a data request regarding the accumulated**
16 **depreciation, AIAC and/or CIAC related to the plant?**

17 A. Yes. However, Staff has not yet received the Company's response. Once Staff reviews the
18 Company's response, Staff will revise the plant in its Surrebuttal testimony.

19
20 *Rate Base Adjustment No. 5 (Water) and No. 4 (Wastewater) – Accumulated Depreciation*

21 **Q. What did the Company propose for Accumulated Depreciation?**

22 A. The Company proposed accumulated depreciation in the amount \$873,019 for the water
23 division and \$1,355,878 for the wastewater division.

24

1 **Q. What adjustment did Staff make to Accumulated Depreciation?**

2 A. The adjustments reflect Staff's calculation of accumulated depreciation based on Staff's
3 adjustments to plant.
4

5 **Q. What is Staff recommending?**

6 A. Staff recommends decreasing accumulated depreciation for the water division by \$42,966 as
7 shown on Schedules CSB-4 and CSB-9 for the water division and decreasing the accumulated
8 depreciation for the wastewater division by \$49,414 as shown on Schedules CSB-4 and CSB-8
9 for the wastewater division.
10

11 *Rate Base Adjustment No. 5 (Wastewater) – CIAC and Amortization of CIAC*

12 **Q. What did the Company propose for CIAC and Amortization of CIAC?**

13 A. The Company proposed \$549,043 for CIAC and \$26,408 for amortization of CIAC for the
14 wastewater division.
15

16 **Q. What adjustment did Staff make to CIAC and Amortization of CIAC?**

17 A. Consistent with Staff's adjustment to remove \$549,043 in not used and useful plant, Staff also
18 removed the CIAC and related amortization of CIAC which funded this plant.
19

20 **Q. What is Staff recommending?**

21 A. Staff recommends decreasing CIAC by \$549,043 and amortization of CIAC by \$26,408 for
22 the wastewater division as shown on Schedules CSB-4 and CSB-9.
23

24 *Rate Base Adjustment No. 6 (Water) – AIAC*

25 **Q. What did the Company propose for AIAC?**

26 A. The Company proposed \$2,861,057 for AIAC for the water division.

1 **Q. What adjustment did Staff make to AIAC?**

2 A. Consistent with Staff's adjustment to remove \$549,043 in not used and useful plant, Staff also
3 removed \$366,492 in AIAC which funded this plant.

4
5 **Q. What is Staff recommending?**

6 A. Staff recommends decreasing AIAC by \$366,492 for the water division as shown on
7 Schedules CSB-4 and CSB-9.

8
9 **OPERATING INCOME**

10 *Operating Income Summary*

11 **Q. What are the results of Staff's analysis of test year revenues, expenses and operating**
12 **income for the water and wastewater divisions?**

13 A. For the water division, Staff's analysis resulted in test year revenues of \$353,109, expenses of
14 \$354,834 and an operating loss of \$1,725 as shown on Schedules CSB-11 and CSB-12. For
15 the wastewater division, Staff's analysis resulted in test year revenues of \$287,949, expenses of
16 \$504,100 and an operating loss of \$216,151 as shown on Schedules CSB-10 and CSB-11.

17
18 *Operating Income Adjustment No. 1 (Water and Wastewater) – Revenue*

19 **Q. What proforma adjustments did the Company make to revenue for the water and**
20 **wastewater divisions?**

21 A. The Company made pro forma adjustments to increase test year revenue by \$179,937 for the
22 water division and \$189,600 for the wastewater division to reflect the addition of 400 new
23 customers over the next five years.

24

1 **Q. What guidance does the Administrative Code provide concerning pro forma**
2 **adjustments?**

3 A. Arizona Administrative Code R14-2-103(a)(3)(i) defines pro forma adjustments as
4 "adjustments to actual test year results and balances to obtain a normal or more realistic
5 relationship between revenues, expenses and rate base."

6
7 **Q. Does the Company's pro forma adjustment to include 400 additional new customers**
8 **create a more realistic relationship between revenues, expenses, and rate base?**

9 A. No, it does not. The Company did not provide studies or any other reliable evidence that
10 would support the addition of 400 additional customers over the next five years. Staff
11 typically does not recognize post-test year plant, revenues, or expenses more than one year
12 beyond the test year due to the fact that the complexities arising from such projections of
13 revenues and expenses results in amounts that are not known and measurable. Further, the
14 Company did not project the increases for all of its expenses over the next five years as most,
15 if not all, expenses will increase over a five year period. This mismatch distorts, rather than
16 provides a more realistic relationship between revenues and expense.

17
18 **Q. What is the effect of reflecting revenues from customer growth that are not known and**
19 **measurable?**

20 A. Reflecting revenues from customer growth that are not known and measurable will under-
21 state the amount of revenue increase needed.

22
23 **Q. What is Staff's recommendation?**

24 A. Staff recommends decreasing revenues by \$179,937 for the water division as shown on
25 Schedules CSB-12 and CSB-13 and \$189,600 for the wastewater division as shown on
26 Schedules CSB-11 and CSB-12.

Operating Income Adjustment No. 2 (Water and Wastewater) – Purchased Power

Q. Did the Company make a pro forma adjustment to purchased power for the water and wastewater divisions?

A. Yes. The Company made pro forma adjustments to increase purchased power expense by \$9,503 for the water division and \$38,517 for the wastewater division to reflect the additional power needed for the 400 new customers.

Q. Does Staff agree?

A. No, Staff does not agree. The purchased power relates to the Company's pro forma adjustment to reflect the revenue of 400 additional customers which Staff removed. Therefore, consistent with Staff's adjustment to remove the revenue for the 400 new customers, Staff has also removed the Company's pro forma adjustment to reflect the related purchased power expense.

Q. What is Staff's recommendation?

A. Staff recommends decreasing purchased power by \$9,503 for the water division as shown on Schedules CSB-12 and CSB-14 and \$38,517 for the wastewater division as shown on Schedules CSB-11 and CSB-13.

Operating Income Adjustment No. 3 (Water) – Repairs and Maintenance Expense

Q. What is the Company proposing for repair and maintenance expense?

A. The Company is proposing \$37,989.

Q. What adjustment did Staff make?

A. Staff removed and capitalized \$3,387 to reflect the purchase of a pump that was placed in service in 2013.

1 **Q. What is Staff's recommendation?**

2 A. Staff recommends decreasing the repairs and maintenance account by \$3,387, as shown on
3 Schedules CSB-12 and CSB-15.

4

5 *Operating Income Adjustment No. 4 (Water) and No. 3 (Wastewater) – Contractual Services, Management Fees /*
6 *Other*

7 **Q. What is the Company proposing for Contract Services, Management Fees for the**
8 **water division and Contract Services, Other for the wastewater division?**

9 A. The Company is proposing \$60,000 in Contract Services, Management Fees for the water
10 division and \$220,686 in Contract Services, Other for the wastewater division.

11

12 **Q. What adjustment did Staff make?**

13 A. Staff decreased Contractual Services, Management Fee expense by \$50,000 for the water
14 division and Contractual Services, Other expense by \$50,000 for the wastewater division to
15 remove costs for which the Company did not provide supporting invoices.

16

17 **Q. What is Staff's recommendation?**

18 A. Staff recommends decreasing Contractual Services, Management Fee expense by \$50,000 for
19 the water division as shown on Schedules CSB-12 and CSB-16 and Contractual Services,
20 Other expense by \$50,000 for the wastewater division as shown on Schedules CSB-11 and
21 CSB-14.

22

Operating Income Adjustment No. 5 (Water) and No. 4 (Wastewater) – Contractual Services, Water Testing

Q. What did the Company propose for Contractual Services, Water Testing for the water and wastewater divisions?

A. The Company is proposing \$1,378 for the water division and \$13,797 for the wastewater division.

Q. What adjustment did Staff make?

A. Staff increased the account by \$1,240 for the water division and \$4,845 for the wastewater division to reflect Staff's recommended water testing expense as discussed in greater detail in the Direct testimony of Staff witness Dorothy Hains.

Q. What is Staff's recommendation?

A. Staff recommends increasing water testing expense by \$1,240 for the water division as shown on Schedules CSB-12 and CSB-17 and \$4,845 for the wastewater division as shown on Schedules CSB-11 and CSB-15.

Operating Income Adjustment No. 6 (Water) and No. 5 (Wastewater) – Depreciation Expense

Q. What is the Company proposing for depreciation expense for its water and wastewater divisions?

A. The Company is proposing \$132,265 for the water division and \$203,103 for the wastewater division.

Q. What adjustment did Staff make to depreciation expense?

A. Staff adjusted depreciation expense to reflect Staff's calculation of depreciation expense using Staff's recommended depreciation rates, plant balances, and CIAC balances. Staff's

1 calculation is shown on Schedule CSB-18 for the water division and CSB-16 for the
2 wastewater division.

3
4 **Q. What is Staff's recommendation?**

5 A. Staff recommends increasing depreciation expense by \$9,547 for the water division as shown
6 on Schedules CSB-12 and CSB-18 and decreasing depreciation expense by \$8,943 for the
7 wastewater division as shown on Schedules CSB-11 and CSB-16.

8
9 *Deferral of Depreciation Expense On Excess Capacity Plant*

10 **Q. What accounting request has the Company made concerning depreciation expense?**

11 A. The Company is requesting an accounting order authorizing it to defer for future ratemaking
12 treatment and recognition the depreciation expense related to the excess capacity plant.

13
14 **Q. Does Staff support an accounting order to defer depreciation expense?**

15 A. No, Staff does not. The excess capacity plant is not used nor useful because it serves no
16 customers. Customers should only be required to pay the actual and reasonable cost for plant
17 that is needed to provide service. Consequently, it would be inappropriate to defer the
18 depreciation expense on plant that is not serving customers. The Company's request would
19 harm customers and unfairly enrich the owners.

20
21 Furthermore, the decision to build the plant rested solely with the Company. There is a risk
22 in any investment decision that the investment could under-perform and the investor could
23 lose a portion or all of his initial investment. However, this does not constitute an exception
24 to the requirement of depreciating plant in accordance to NARUC USoA. The Company
25 should continue to depreciate the excess capacity plant, but covering this expense is a
26 responsibility of owners since this is, quite simply, just the unwinding of an investment risk.

1 A recommendation to defer depreciation expense on the excess capacity plant would be
2 tantamount to requiring the captive customers to subsidize the owner's loss from a high risk
3 investment that not meet investor business plan expectations.

4
5 **Q. What is Staff's recommendation?**

6 A. Staff recommends that the Company's request to defer depreciation expense on the excess
7 capacity plant be denied and that the Company continue to depreciate these assets.

8
9 *Operating Income Adjustment No. 7 (Water) and No. 6 (Wastewater) –Property Taxes*

10 **Q. What is the Company proposing for property taxes for the water and wastewater**
11 **divisions?**

12 A. The Company is proposing \$26,568 for the water division and \$23,766 for the wastewater
13 division.

14
15 **Q. Did Staff make any adjustment to the property tax expense?**

16 A. Yes. Staff's adjustment reflects Staff's calculation of the property tax expense using Staff's
17 recommended revenues.

18
19 **Q. What is Staff's recommendation?**

20 A. Staff recommends decreasing property tax expense by \$8,968 for the water division as shown
21 on Schedules CSB-12 and CSB-19 and \$9,449 for the wastewater division as shown on
22 Schedules CSB-11 and CSB-17.

23

Operating Income Adjustment No. 16 – Income Tax Allowance

Q. What is Red Rock proposing for the test year income tax allowance for the water and wastewater divisions?

A. Red Rock is proposing no income tax allowance for the water and wastewater divisions.

Q. Did Staff send a data request asking for the information necessary to calculate the income tax allowance?

A. Yes, but the Company declined to provide the information.

Q. What tax rate did Staff utilize?

A. Staff utilized the corporate tax rate.

Q. Did Staff make any adjustments to the Company's proposed test year income tax allowance?

A. Yes. Staff's adjustment reflects Staff's calculation of the income tax allowance based upon Staff's adjusted test year taxable income.

Q. Does Staff have any recommendations if the Commission chooses the revenue requirement developed under Plan B?

A. Yes. If the Commission chooses the revenue requirement developed under Plan B, the Company should be ordered to provide a calculation of its income tax allowance using the methodology prescribed by the Commission and provide all supporting documentation.

1 **Q. What is Staff's recommendation?**

2 A. Staff recommends decreasing income taxes by \$446 for the water division and by \$133,460 as
3 shown on Schedules CSB-12 and CSB-20 for the wastewater division as shown on Schedules
4 CSB-11 and CSB-18.

5
6 **COST OF CAPITAL**

7 **Q. What ROR resulted from Staff's analysis in this case?**

8 A. Staff's analysis resulted in a 9.4 percent ROR. Staff's recommended ROR is shown in the
9 following table:

10 **Table 1**

	Weight	Cost	Weighted Cost
Long-term Debt	0.0%	0.0%	0.0%
Common Equity	100.0%	9.4%	9.4%
ROR			9.4%

11
12 **Q. What is the basis of Staff's ROR?**

13 A. Staff's recommended ROR is based on the Company's December 31, 2013, capital structure
14 which consisted of 0 percent long-term debt and 100.0 percent equity. Staff recommends a
15 9.4 percent return on equity ("ROE"). Staff's estimated cost of equity for the Company is
16 based on the 8.8 percent average of its discounted cash flow method ("DCF") cost of equity
17 methodology estimates for the sample companies of 8.5 percent for the constant-growth
18 DCF model and 9.1 percent for the multi-stage DCF model. Staff's recommended cost of
19 equity includes an upward economic assessment adjustment of 60 basis points (0.6 percent).
20 Staff's schedules are presented on the Cost of Capital Schedules CSB-1 through CSB-10.

21
22 **Q. Is Staff recommending its 9.4 percent ROR?**

23 A. No, in order to minimize the differences between the parties, Staff is adopting the Company
24 proposed ROR of 9.5 percent.

1 **Q.** **Does this conclude Staff's direct testimony?**

2 **A.** Yes, it does.

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A]		[B]	
		COMPANY ORIGINAL COST		STAFF ORIGINAL COST	
1	Adjusted Rate Base	\$	1,378,255	\$	1,389,355
2	Adjusted Operating Income (Loss)	\$	116,695	\$	(1,725)
3	Current Rate of Return (L2 / L1)		8.47%		-0.12%
4	Required Rate of Return		9.50%		0.00%
5	Required Operating Income (L4 * L1)	\$	130,934	\$	-
6	Operating Income Deficiency (L5 - L2)	\$	14,239	\$	1,725
7a	Gross Revenue Conversion Factor		1.0169		1.2795
8	Required Revenue Increase (L7 * L6)	\$	14,480	\$	2,207
9	Adjusted Test Year Revenue	\$	533,046	\$	353,109
10	Proposed Annual Revenue (L8 + L9)	\$	547,525	\$	355,316
11	Required Increase in Revenue (%)		2.72%		0.63%

References:

Column [A]: Company Schedules A-1

Column [B]: Staff Schedules CSB-2, CSB-3, & CSB-11

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17) + Property Tax Factor (Line 22)	21.8454%			
5	Subtotal (L3 - L4)	78.1546%			
6	Revenue Conversion Factor (L1 / L5)	1.2795			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	20.5250%			
9	One Minus Combined Income Tax Rate (L7 - L8)	79.4750%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.5000%			
14	Federal Taxable Income (L12 - L13)	93.5000%			
15	Applicable Federal Income Tax Rate (Line 44)	15.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	14.0250%			
17	Combined Federal and State Income Tax Rate (L13 + L16)	20.5250%			
<u>Calculation of Effective Property Tax Factor:</u>					
18	Unity	100.0000%			
19	Combined Federal and State Tax Rate (Line 17)	20.5250%			
20	One Minus Combined Income Tax Rate (L18 - L19)	79.4750%			
21	Property Tax Factor (CSB-18, L24)	1.6614%			
22	Effective Property Tax Factor (L 21 * L 22)	0.013203881			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		21.8454%		
24	Required Operating Income (Schedule CSB-1, Line 5)	\$ -			
25	Adjusted Test Year Operating Income (Loss) (Schedule CSB-10, Line 32)	\$ (1,725)			
26	Required Increase in Operating Income (L24 - L25)		\$ 1,725		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	\$ -			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	\$ (446)			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 446		
30	Recommended Revenue Requirement (Schedule CSB-1, Line 10)	\$ 355,316			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -			
33	Adjusted Test Year Uncollectible Expense	\$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		\$ -		
35	Property Tax with Recommended Revenue (CSB-18, L19)	\$ 17,636			
36	Property Tax on Test Year Revenue (CSB-18, L16)	\$ 17,600			
37	Increase in Property Tax Due to Increase in Revenue (CSB-18, L22)		\$ 37		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		\$ 2,207		
<u>Calculation of Income Tax:</u>					
39	Revenue	\$ 353,109	\$ 2,207	\$ 355,316	
40	Operating Expenses Excluding Income Taxes	355,280	37	355,316	
41	Synchronized Interest (L47)	-		-	
42	Arizona Taxable Income (L36 - L37- L38)	\$ (2,171)		\$ -	
43	Arizona State Income Tax Rate	6.5000%		6.5000%	
44	Arizona Income Tax (L39 x L40)		\$ (141)		\$ -
45	Federal Taxable Income (L33 - L35)	\$ (2,030)		\$ -	
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	(304)		-	
47	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	-		-	
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	-		-	
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	-		-	
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	-		-	
51	Total Federal Income Tax		\$ (304)		\$ -
52	Combined Federal and State Income Tax (L35 + L42)		\$ (446)		\$ -
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				15.00%
<u>Calculation of Interest Synchronization:</u>					
54	Rate Base (Schedule CSB-3, Col. [C], Line (17))	\$ 1,389,355			
55	Weighted Average Cost of Debt	0.00%			
56	Synchronized Interest (L45 X L46)	\$ -			

RATE BASE - ORIGINAL COST/FAIR VALUE

LINE NO.	DESCRIPTION	[A]	[B]	ADJ. NO.	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS		STAFF AS ADJUSTED
1	Plant in Service	\$ 5,318,335	\$ (398,358)	1,2,3,4	\$ 4,919,976
2	Less: Accumulated Depreciation	873,019	(42,966)	5	830,053
3	Net Plant in Service	<u>\$ 4,445,316</u>	<u>\$ (355,392)</u>		<u>\$ 4,089,924</u>
	<u>LESS:</u>				
4	Net Contribution in Aid-of Construction (CIAC)	\$ 206,004	\$ -		\$ 206,004
5	Advances in Aid of Construction (AIAC)	2,861,057	(366,492)	6	2,494,565
8	Customer Deposits	-	-		-
9	Deferred Income Tax Credits	-	-		-
	Total Deductions	<u>\$ 3,067,061</u>	<u>\$ (366,492)</u>		<u>\$ 2,700,569</u>
	<u>ADD:</u>				
10	Unamortized Finance Charges	\$ -	\$ -		\$ -
11	Deferred Tax Assets	-	-		-
12	Allowance for Working Capital	-	-		-
13	Intentional Left Blank	-	-		-
	Total Additions	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>
14	Original Cost Rate Base	<u>\$ 1,378,255</u>	<u>\$ 11,100</u>		<u>\$ 1,389,355</u>

References:

Column (A), Company Schedule B-1
Column (B): Schedule CSB-4
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	PLANT IN SERVICE	[A] COMPANY AS FILED	ADJ #1 Not Used & Useful Ref. Sch CSB-5	[B] ADJ #2 Expensed Plant Ref. Sch CSB-6	[C] ADJ #3 Pump Retirement Ref. Sch CSB-7	[D] ADJ #4 Reclassified Plant Ref. Sch CSB-8	[E] ADJ #5 Accu Depr Ref. Sch CSB-9	[F] ADJ #6 AIAC Ref. Sch CSB-10	[G] STAFF AS ADJUSTED
1	301	Organization Costs	\$ 54,297	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,297
2	302	Franchise Costs	73,931	(5,904)	-	-	(24,299)	-	-	43,728
3	303	Land & Land Rights	32,810	(4,694)	-	-	-	-	-	28,116
4	304	Structures & Improvements	8,049	-	-	-	134,889	-	-	142,938
5	307	Wells & Springs	691,317	-	-	-	26,345	-	-	717,662
6	310	Power Generation Equipment	51,082	-	-	-	-	-	-	51,082
7	311	Electric Pumping Equipment	-	-	-	(2,561)	119,750	-	-	120,576
8	320	Water Treatment Equipment	-	-	3,387	-	-	-	-	-
9	320.1	Water Treatment Plants	263,610	-	-	-	14,718	-	-	278,328
10	320.2	Solutions & Feeders	-	-	-	-	-	-	-	-
11	320.3	Arsenic Remediation Plant	-	-	-	-	-	-	-	-
12	330	Distribution Reservoirs & Standpipes	-	-	-	-	-	-	-	-
13	330.1	Storage Tank	858,166	-	-	-	(510,952)	-	-	347,214
14	330.2	Pressure Tanks	-	-	-	-	228,710	-	-	228,710
15	331	Transmission & Distribution Mains	-	-	-	-	3,464	-	-	2,141,199
16	333	Services	2,343,549	(205,814)	-	-	-	-	-	391,257
17	334	Meters & Meter Installations	518,785	(127,528)	-	-	-	-	-	154,334
18	335	Hydrants	154,334	-	-	-	-	-	-	174,868
19	336	Backflow Prevention Devices	208,018	(33,150)	-	-	-	-	-	-
20	339	Other Plant & Misc. Equip.	-	-	-	-	-	-	-	651
21	340	Office Furniture & Fixtures	651	-	-	-	-	-	-	5,752
22	340.1	Computer & Software	5,752	-	-	-	-	-	-	-
23	341	Transportation Equipment	-	-	-	-	-	-	-	-
24	342	Stores Equipment	8,224	-	-	-	-	-	-	8,224
25	343	Tools & Work Equipment	3,836	-	-	-	-	-	-	3,836
26	344	Laboratory Equipment	2,856	-	-	-	-	-	-	2,856
27	345	Power Operated Equipment	14,718	-	-	-	(14,718)	-	-	-
28	345	Communications Equipment	18,224	-	-	-	-	-	-	18,224
29	347	Miscellaneous Equipment	-	-	-	-	-	-	-	-
30	348	Other Intangibles	6,124	-	-	-	-	-	-	6,124
31			-	-	-	-	-	-	-	-
34		Gross Utility Plant in Service	\$ 5,318,335	\$ (377,090)	\$ 3,387	\$ (2,561)	\$ (22,094)	\$ -	\$ -	\$ 4,919,976
35		Less: Accumulated Depreciation	873,019	-	-	-	-	(42,966)	-	830,053
36		Net Utility Plant in Service (L29 - L30)	\$ 4,445,316	\$ (377,090)	\$ 3,387	\$ (2,561)	\$ (22,094)	\$ 42,966	\$ -	\$ 4,089,924
37										
38		DEDUCTIONS								
39		Contributions in Aid of Construction (CIAC)	\$ 233,715	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 233,715
40		Less: Accumulated Amortization	27,711	-	-	-	-	-	-	27,711
41		Net CIAC (L32 - L33)	\$ 206,004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 206,004
42		Advances in Aid of Construction (AIAC)	\$ 2,861,057	-	-	-	-	-	(366,492)	2,494,565
43		Customer Meter Deposits	-	-	-	-	-	-	-	-
44		Deferred Income Tax Credits	-	-	-	-	-	-	-	-
45		Total Deductions	\$ 3,067,061	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (366,492)	\$ 2,700,569
46										
47		ADDITIONS:								
48		Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
49		Deferred Tax Assets	-	-	-	-	-	-	-	-
50		Allowance for Working Capital	-	-	-	-	-	-	-	-
51		Intentional Left Blank	-	-	-	-	-	-	-	-
52		Total Additions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
53										
54		ORIGINAL COST RATE BASE	\$ 1,378,255	\$ (377,090)	\$ 3,387	\$ (2,561)	\$ (22,094)	\$ 42,966	\$ 366,492	\$ 1,389,355

RATE BASE ADJUSTMENT NO. 1 - NOT USED AND USEFUL PLANT

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Acct No. 302 - Franchise Costs	\$ 73,931	\$ (5,904)	\$ 68,027
2	Acct No. 303 - Land and Land Rights	\$ 32,810	\$ (4,694)	\$ 28,116
3	Acct No. 331 - Trans & Distrib Mains	\$ 2,343,549	\$ (205,814)	\$ 2,137,735
4	Acct No. 333 - Services	\$ 518,785	\$ (127,528)	\$ 391,257
5	Acct No. 335 - Hydrants	\$ 208,018	\$ (33,150)	\$ 174,868
6	Total	\$ 3,177,093	\$ (377,090)	\$ 2,800,003

References

Column A: Company Schedule B-2

Column B: Testimony, CSB

Column C: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 2 - EXPENSED PLANT

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Acct No. 311 - Electric Pumping Equipment	\$ -	\$ 3,387	\$ 3,387

References

Column A: Company Schedule B-2
Column B: Testimony, CSB
Column C: Column [A] + Column [B]

Red Rock Utilities L.L.C. - Water Division
Docket No. WS-04245A-14-0295
Test Year Ended December 31, 2013

Plan A
Schedule CSB-7

RATE BASE ADJUSTMENT NO. 3 - PUMP RETIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Acct No. 311 - Electric Pumping Equipment	\$ -	\$ (2,561)	\$ (2,561)

References

Column A: Company Schedule B-2
Column B: Testimony, CSB
Column C: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 4 - RECLASSIFIED PLANT

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Acct No. 302 - Franchise Costs	\$ 73,931	\$ (24,300)	\$ 49,632
2	Acct No. 304 - Structures and Improvements	\$ 8,049	\$ 134,889	\$ 142,938
3	Acct No. 307 - Wells and Springs	\$ 691,317	\$ 26,345	\$ 717,662
4	Acct No. 311 - Electric Pumping Equipment	\$ -	\$ 119,750	\$ 119,750
5	Acct No. 320 - Water Treatment Plants	\$ 263,610	\$ 14,718	\$ 278,328
6	Acct No. 330.1 - Storage Tanks	\$ 858,166	\$ (510,952)	\$ 347,214
7	Acct No. 330.2 - Pressure Tanks	\$ -	\$ 228,710	\$ 228,710
8	Acct No. 331 - Transmission & Distrib Mains	\$ 2,343,549	\$ 3,464	\$ 2,347,013
9	Acct No. 344 - Laboratory Equipment	\$ 14,718	\$ (14,718)	\$ -
10	Total	\$ 4,253,340	\$ (22,094)	\$ 4,231,246

Detail of Plant Reclassification Costs		
Account No.	Account Description	Amount
302	Franchise Cost	\$ (2,206)
302	Franchise Cost	\$ (22,094)
		<u>\$ (24,300)</u>
304	Structures & Improvements	\$ 134,889
307	Wells & Springs	\$ 26,345
311	Electric Pumping Equipment	\$ 119,750
320	Water Treatment Plants	\$ 14,718
330.1	Storage Tanks	\$ (228,710)
330.1	Storage Tanks	\$ (134,889)
330.1	Storage Tanks	\$ (26,345)
330.1	Storage Tanks	\$ (1,258)
330.1	Storage Tanks	<u>\$ (119,750)</u>
		<u>\$ (510,952)</u>
330.2	Pressure Tanks	\$ 228,710
331	Transmission & Distribution Mains	\$ 1,258
331	Transmission & Distribution Mains	<u>\$ 2,206</u>
		<u>\$ 3,464</u>
344	Laboratory Equipment	<u>\$ (14,718)</u>
		<u><u>\$ (22,094)</u></u>

References

Column A: Company Schedule B-2
Column B: Testimony, CSB
Column C: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 5 - ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Accumulated Depreciation	\$ 873,019	\$ -	\$ 873,019
2	Accum Depr Related to Pump Retirement	-	(2,561)	(2,561)
3	Accum Depr Related to 2013 Pump Reclassified from R&M	-	212	212
4	Accum Depr Related to Not Used & Useful Plant	-	(40,617)	(40,617)
5		\$ 873,019	\$ (42,966)	\$ 830,053
6				
7				
8				
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19				
20				
21				
22				
23				
24				
25				

2013 Pump
Reclassified
from Repairs &
Maintenance

\$ 3,387
x 12.5%

\$ 423

0.5 1/2 Year Convention
\$ 212

Accum. Depr.
Data Request CSB 11.4

\$ 18,523 Acct No. 331 Mains
\$ 19,110 Acct No. 333 Services
\$ 2,984 Acct No. 335 Hydrants
\$ 40,617 AIAC for Village 2, Unit 2

REFERENCES:

Column [A]: Company Schedule B-2
Column [B]: Testimony, CSB
Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 6 - AIAC

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Advances In Aid of Construction ("AIAC")	\$ 2,861,057	\$ (366,492)	\$ 2,494,565

AIAC	
Data Request CSB 11.4	
\$	205,814
\$	127,528
\$	33,150
\$	366,492

Acct No. 331 Mains
Acct No. 333 Services
Acct No. 335 Hydrants
AIAC for Village 2, Unit 2

References

Column A: Company Schedule B-2
Column B: Testimony, CSB
Column C: Column [A] + Column [B]

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	ADJ. NO.	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	REVENUES:						
2	Metered Water Sales	\$ 523,770	\$ (179,937)	1	\$ 343,833	\$ 2,207	\$ 346,040
3	Water Sales - Unmetered	-	-		-	-	-
4	Other Operating Revenue	9,276	-		9,276	-	9,276
5	Total Operating Revenues	<u>\$ 533,046</u>	<u>\$ (179,937)</u>		<u>\$ 353,109</u>	<u>\$ 2,207</u>	<u>\$ 355,316</u>
6							
7	OPERATING EXPENSES:						
8	Salaries & Wages	\$ 45,670	\$ -		\$ 45,670	\$ -	\$ 45,670
9	Employee Pensions and Benefits	1,564	-		1,564	-	1,564
10	Purchased Water	-	-		-	-	-
11	Purchased Power	29,723	(9,503)	2	20,220	-	20,220
12	Chemicals	2,365	-		2,365	-	2,365
13	Repairs & Maintenance	37,989	(3,387)	3	34,602	-	34,602
14	Office Supplies & Expense	884	-		884	-	884
15	Contractual Services - Management Fee	60,000	(50,000)	4	10,000	-	10,000
16	Contractual Services - Legal & Acctng	27,776	-		27,776	-	27,776
17	Contractual Services - Other	16,914	-		16,914	-	16,914
18	Contractual Services - Water Testing	1,378	1,240	5	2,618	-	2,618
19	Rents	-	-		-	-	-
20	Transportation Expense	-	-		-	-	-
21	Insurance - General Liability	11,438	-		11,438	-	11,438
22	Insurance - Health & Life	-	-		-	-	-
23	Regulatory Commission Exp - Rate Case	5,000	-		5,000	-	5,000
24	Miscellaneous Expense	13,358	-		13,358	-	13,358
25	Depreciation Expense	132,265	9,547	6	141,812	-	141,812
26	Taxes Other than Income	3,458	-		3,458	-	3,458
27	Property Taxes	26,568	(8,968)	7	17,600	37	17,636
28	Income Tax	-	(446)	8	(446)	446	-
29							
30	Total Operating Expenses	<u>\$ 416,351</u>	<u>\$ (61,517)</u>		<u>\$ 354,834</u>	<u>\$ 482</u>	<u>\$ 355,316</u>
31							
32	Operating Income (Loss)	<u>\$ 116,695</u>	<u>\$ (118,420)</u>		<u>\$ (1,725)</u>	<u>\$ 1,725</u>	<u>\$ -</u>

References:

Column (A): Company Schedule C-1
Column (B): Schedule CSB-11
Column (C): Column (A) + Column (B)
Column (D): Schedules CSB-1 and CSB-2
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1 Revenue Ref: Sch CSB-13	[C] ADJ #2 Purchased Power Ref: Sch CSB-14	[D] ADJ #3 Repair and Maintenance Ref: Sch CSB-15	[E] ADJ #4 Contract Svcs Management Fee Ref: Sch CSB-16	[F] ADJ #5 Contract Svcs Water Testing Ref: Sch CSB-17	[G] ADJ #6 Depreciation Expense Ref: Sch CSB-18	[H] ADJ #7 Property Taxes Ref: Sch CSB-19	[I] ADJ #8 Income Taxes Ref: Sch CSB-20	[J] STAFF AS ADJUSTED
1 REVENUES:											
2	Metered Water Sales	\$ 523,770	\$ (179,937)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 343,833
3	Water Sales - Unmetered	-	-	-	-	-	-	-	-	-	-
4	Other Operating Revenue	9,276	-	-	-	-	-	-	-	-	-
5	Total Operating Revenues	\$ 533,046	\$ (179,937)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,276
7 OPERATING EXPENSES:											
8	Salaries & Wages	\$ 45,670	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,670
9	Employee Pensions and Benefits	1,564	-	-	-	-	-	-	-	-	1,564
10	Purchased Water	-	-	-	-	-	-	-	-	-	-
11	Purchased Power	29,723	-	(9,503)	-	-	-	-	-	-	20,220
12	Chemicals	2,365	-	-	-	-	-	-	-	-	2,365
13	Repairs & Maintenance	37,989	-	-	(3,387)	-	-	-	-	-	34,602
14	Office Supplies & Expense	884	-	-	-	-	-	-	-	-	884
15	Contractual Services - Management Fee	60,000	-	-	-	(50,000)	-	-	-	-	10,000
16	Contractual Services - Legal & Acctg	27,776	-	-	-	-	-	-	-	-	27,776
17	Contractual Services - Other	16,914	-	-	-	-	-	-	-	-	16,914
18	Contractual Services - Water Testing	1,378	-	-	-	-	1,240	-	-	-	2,618
19	Rents	-	-	-	-	-	-	-	-	-	-
20	Transportation Expense	-	-	-	-	-	-	-	-	-	-
21	Insurance - General Liability	11,438	-	-	-	-	-	-	-	-	11,438
22	Insurance - Worker's Comp	-	-	-	-	-	-	-	-	-	-
23	Regulatory Commission Exp - Rate Case	5,000	-	-	-	-	-	-	-	-	5,000
24	Miscellaneous Expense	13,358	-	-	-	-	-	-	-	-	13,358
25	Depreciation Expense	132,265	-	-	-	-	-	9,547	-	-	141,812
26	Taxes Other than Income	3,458	-	-	-	-	-	-	-	-	3,458
27	Property Taxes	26,568	-	-	-	-	-	-	(8,968)	-	17,600
28	Income Tax	-	-	-	-	-	-	-	-	(446)	(446)
29	Total Operating Expenses	\$ 416,351	\$ -	\$ (9,503)	\$ (3,387)	\$ (50,000)	\$ 1,240	\$ 9,547	\$ (8,968)	\$ (446)	\$ 354,834
30											
31	Operating Income (Loss)	\$ 116,695	\$ (179,937)	\$ 9,503	\$ 3,387	\$ 50,000	\$ (1,240)	\$ (9,547)	\$ 8,968	\$ 446	\$ (1,725)

Red Rock Utilities L.L.C. - Water Division
Docket No. WS-04245A-14-0295
Test Year Ended December 31, 2013

Plan A
Schedule CSB-13

OPERATING INCOME ADJUSTMENT NO. 1 - REVENUE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Metered Water Sales	\$ 523,770	\$ (179,937)	\$ 343,833
2	Water Sales - Unmetered	-	-	-
3	Other Operating Revenues	9,276	-	9,276
4	Total Revenues	<u>\$ 533,046</u>	<u>\$ (179,937)</u>	<u>\$ 353,109</u>

References:

Column (A), Company Schedule C-1
Column (B): Testimony CSB
Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT NO. 2 - PURCHASED POWER

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Purchased Power	\$ 29,723	\$ (9,503)	\$ 20,220
2		-	-	-
3	Total	\$ 29,723	\$ (9,503)	\$ 20,220

References:

Column (A), Company Schedule C-1
Column (B): Testimony CSB
Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT NO. 3 - REPAIRS AND MAINTENANCE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Repairs & Maintenance	\$ 37,989	\$ (3,387)	\$ 34,602
2		-	-	-
3	Total	\$ 37,989	\$ (3,387)	\$ 34,602

References:

Column (A), Company Schedule C-1

Column (B): Testimony CSB

Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT NO. 4 - CONTRACT SERVICES, MANAGEMENT FEE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Contractual Services - Management Fee	\$ 60,000	\$ (50,000)	\$ 10,000
2		-	-	-
3	Total	<u>\$ 60,000</u>	<u>\$ (50,000)</u>	<u>\$ 10,000</u>

References:

Column (A), Company Schedule C-1

Column (B): Testimony CSB; Data Request WEB 6-2

Column (C): Column (A) + Column (B)

Red Rock Utilities L.L.C. - Water Division
Docket No. WS-04245A-14-0295
Test Year Ended December 31, 2013

Plan A
Schedule CSB-17

OPERATING ADJUSTMENT NO. 5 - CONTRACT SERVICES WATER TESTING

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Contractual Services - Water Testing	\$ 1,378	\$ 1,240	\$ 2,618
2		-	-	-
3	Total	\$ 1,378	\$ 1,240	\$ 2,618

References:

Column (A), Company Schedule C-1
Column (B): Testimony CSB
Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT No. 6 - DEPRECIATION EXPENSE

Line No.	Acct. No.	Description	Gross Utility Plant In Service	Non Depreciable and/or Fully Depreciated	Depreciable Plant	Depreciation Rate	Depreciation Expense
Plant In Service							
1	301	Organization Costs	\$ 54,297	\$ 54,297	\$ -	0.00%	\$ -
2	302	Franchise Costs	43,728	73,931	(30,203)	0.00%	-
3	303	Land & Land Rights	28,116	32,810	(4,694)	0.00%	-
4	304	Structures & Improvements	142,938	-	142,938	3.33%	4,760
5	307	Wells & Springs	717,662	-	717,662	3.33%	23,898
6	310	Power Generation Equipment	51,082	-	51,082	5.00%	2,554
7	311	Electric Pumping Equipment	120,576	-	120,576	12.50%	15,072
8	320	Water Treatment Equipment					
9	320.1	Water Treatment Plants	278,328	-	278,328	3.33%	9,268
10	320.2	Solutions & Feeders	-	-	-	20.00%	-
11	320.3	Arsenic Remediation Plant	-	-	-	-	-
12	330	Distribution Reservoirs & Standpipes					
13	330.1	Storage Tank	347,214	-	347,214	2.22%	7,708
14	330.2	Pressure Tanks	228,710	-	228,710	5.00%	11,436
15	331	Transmission & Distribution Mains	2,141,199	-	2,141,199	2.00%	42,824
16	333	Services	391,257	-	391,257	3.33%	13,029
17	334	Meters & Meter Installations	154,334	-	154,334	8.33%	12,856
18	335	Hydrants	174,868	-	174,868	2.00%	3,497
19	336	Backflow Prevention Devices	-	-	-	6.67%	-
20	339	Other Plant & Misc. Equip.	651	-	651	6.67%	43
21	340	Office Furniture & Fixtures	5,752	-	5,752	6.67%	384
22	340.1	Computer & Software	-	-	-	20.00%	-
23	341	Transportation Equipment	8,224	8,224	-	20.00%	-
24	342	Stores Equipment	3,836	-	3,836	4.00%	153
25	343	Tools & Work Equipment	2,856	-	2,856	5.00%	143
26	344	Laboratory Equipment	-	-	-	10.00%	-
27	345	Power Operated Equipment	18,224	-	18,224	5.00%	911
28	345	Communications Equipment	-	-	-	10.00%	-
29	347	Miscellaneous Equipment	6,124	-	6,124	10.00%	612
30	348	Other Intangibles	-	-	-	0.00%	-
31							
32		Subtotal General	\$ 4,919,976	\$ 169,262	\$ 4,750,714		\$ 149,149
33							
34		Composite Depreciation (Depr Exp / Depreciable Plant)					3.14%
35		Gross CIAC				\$	233,715
36		Amortization of CIAC				\$	7,338
37							
38		Depreciation Expense before Amortization of CIAC				\$	149,149
39		Amortization of CIAC				\$	7,338
40		Test Year Depreciation Expense - Staff				\$	141,812
41		Test Year Depreciation Expense - Company				\$	132,265
42		Staff's Adjustment				\$	9,547

OPERATING INCOME ADJUSTMENT No. 7 - PROPERTY TAXES

LINE NO.	DESCRIPTION	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$ 353,109	\$ 353,109
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$ 706,218	\$ 706,218
4	Staff Recommended Revenue	353,109	355,316
5	Subtotal (Line 4 + Line 5)	\$ 1,059,327	\$ 1,061,534
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 353,109	\$ 353,845
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 706,218	\$ 707,690
10	Plus: 10% of CWIP	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 706,218	\$ 707,690
13	Assessment Ratio	18.00%	18.00%
14	Assessment Value (Line 12 * Line 13)	\$ 127,119	\$ 127,384
15	Composite Property Tax Rate -	13.84490%	13.84490%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 17,600	
17	Company Proposed Property Tax	26,568	
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$ (8,968)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 17,636
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		17,600
21	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 37
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)		\$ 37
23	Increase in Revenue Requirement		\$ 2,207
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		1.661388%

OPERATING INCOME ADJUSTMENT NO. 8 - INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Income Tax Expense	\$ -	\$ (446)	\$ (446)
2				
3	Total	\$ -	\$ (446)	\$ (446)

References:

Column (A), Company Schedule C-1

Column (B): Testimony CSB

Column (C): Column (A) + Column (B)

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A]		[B]	
		COMPANY ORIGINAL COST		STAFF ORIGINAL COST	
1	Adjusted Rate Base	\$	1,378,255	\$	1,389,355
2	Adjusted Operating Income (Loss)	\$	116,695	\$	(1,725)
3	Current Rate of Return (L2 / L1)		8.47%		-0.12%
4	Required Rate of Return		9.50%		9.50%
5	Required Operating Income (L4 * L1)	\$	130,934	\$	131,989
6	Operating Income Deficiency (L5 - L2)	\$	14,239	\$	133,714
7	Gross Revenue Conversion Factor		1.0169		1.5531
8	Required Revenue Increase (L7 * L6)	\$	14,480	\$	207,670
9	Adjusted Test Year Revenue	\$	533,046	\$	353,109
10	Proposed Annual Revenue (L8 + L9)	\$	547,525	\$	560,779
11	Required Increase in Revenue (%)		2.72%		58.81%

References:

Column [A]: Company Schedules A-1

Column [B]: Staff Schedules CSB-2, CSB-3, & CSB-11

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17) + Property Tax Factor (Line 22)	35.6123%			
5	Subtotal (L3 - L4)	64.3877%			
6	Revenue Conversion Factor (L1 / L5)	1.5531			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	34.5245%			
9	One Minus Combined Income Tax Rate (L7 - L8)	65.4755%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.5000%			
14	Federal Taxable Income (L12 - L13)	93.5000%			
15	Applicable Federal Income Tax Rate (Line 44)	29.9728%			
16	Effective Federal Income Tax Rate (L14 x L15)	28.0245%			
17	Combined Federal and State Income Tax Rate (L13 + L16)	34.5245%			
<u>Calculation of Effective Property Tax Factor</u>					
18	Unity	100.0000%			
19	Combined Federal and State Tax Rate (Line 17)	34.5245%			
20	One Minus Combined Income Tax Rate (L18 - L19)	65.4755%			
21	Property Tax Factor (CSB-18, L24)	1.6614%			
22	Effective Property Tax Factor (L 21 * L 22)	0.010878017			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		35.6123%		
24	Required Operating Income (Schedule CSB-1, Line 5)	\$ 131,989			
25	Adjusted Test Year Operating Income (Loss) (Schedule CSB-10, Line 32)	\$ (1,725)			
26	Required Increase in Operating Income (L24 - L25)		\$ 133,714		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	\$ 70,060			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	\$ (446)			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 70,506		
30	Recommended Revenue Requirement (Schedule CSB-1, Line 10)	\$ 560,779			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -			
33	Adjusted Test Year Uncollectible Expense	\$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		\$ -		
35	Property Tax with Recommended Revenue (CSB-18, L19)	\$ 21,050			
36	Property Tax on Test Year Revenue (CSB-18, L 16)	\$ 17,600			
37	Increase in Property Tax Due to Increase in Revenue (CSB-18, L22)		\$ 3,450		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		\$ 207,670		
<u>Calculation of Income Tax:</u>					
39	Revenue	\$ 353,109	\$ 207,670	\$ 560,779	
40	Operating Expenses Excluding Income Taxes	355,280	3,450	358,730	
41	Synchronized Interest (L47)	-		-	
42	Arizona Taxable Income (L36 - L37- L38)	\$ (2,171)		\$ 202,049	
43	Arizona State Income Tax Rate	6.5000%		6.5000%	
44	Arizona Income Tax (L39 x L40)		\$ (141)		\$ 13,133
45	Federal Taxable Income (L33 - L35)	\$ (2,030)		\$ 188,916	
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	(304)		7,500	
47	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	-		6,250	
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	-		8,500	
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	-		34,677	
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	-		-	
51	Total Federal Income Tax		\$ (304)		\$ 56,927
52	Combined Federal and State Income Tax (L35 + L42)		\$ (446)		\$ 70,060
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				29.97%
<u>Calculation of Interest Synchronization:</u>					
54	Rate Base (Schedule CSB-3, Col. [C], Line (17))	\$ 1,389,355			
55	Weighted Average Cost of Debt	0.00%			
56	Synchronized Interest (L45 X L46)	\$ -			

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	[A]	[B]	ADJ. NO.	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS		STAFF AS ADJUSTED
1	Plant in Service	\$ 5,318,335	\$ (398,358)	1,2,3,4	\$ 4,919,976
2	Less: Accumulated Depreciation	873,019	(42,966)	5	830,053
3	Net Plant in Service	<u>\$ 4,445,316</u>	<u>\$ (355,392)</u>		<u>\$ 4,089,924</u>
<u>LESS:</u>					
4	Net Contribution in Aid-of Construction (CIAC)	\$ 206,004	\$ -		\$ 206,004
5	Advances in Aid of Construction (AIAC)	2,861,057	(366,492)	6	2,494,565
8	Customer Deposits	-	-		-
9	Deferred Income Tax Credits	-	-		-
	Total Deductions	<u>\$ 3,067,061</u>	<u>\$ (366,492)</u>		<u>\$ 2,700,569</u>
<u>ADD:</u>					
10	Unamortized Finance Charges	\$ -	\$ -		\$ -
11	Deferred Tax Assets	-	-		-
12	Allowance for Working Capital	-	-		-
13	Intentional Left Blank	-	-		-
	Total Additions	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>
14	Original Cost Rate Base	<u>\$ 1,378,255</u>	<u>\$ 11,100</u>		<u>\$ 1,389,355</u>

References:

Column (A): Company Schedule B-1
Column (B): Schedule CSB-4
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	PLANT IN SERVICE	[A] COMPANY AS FILED	[B] ADJ #1 Not Used & Useful Ref. Sch CSB-5	[C] ADJ #2 Expensed Plant Ref. Sch CSB-6	[D] ADJ #3 Pump Retirement Ref. Sch CSB-7	[E] ADJ #4 Reclassified Plant Ref. Sch CSB-8	[F] ADJ #5 Accu Depr Ref. Sch CSB-9	[G] ADJ #6 AIAC Ref. Sch CSB-10	[H] STAFF AS ADJUSTED
1	301	Organization Costs	\$ 54,297	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,297
2	302	Franchise Costs	73,931	(5,904)	-	-	(24,299)	-	-	43,728
3	303	Land & Land Rights	32,810	(4,694)	-	-	-	-	-	28,116
4	304	Structures & Improvements	8,049	-	-	-	134,889	-	-	142,938
5	307	Wells & Springs	691,317	-	-	-	26,345	-	-	717,662
6	310	Power Generation Equipment	51,082	-	-	-	119,750	-	-	170,832
7	311	Electric Pumping Equipment	-	-	-	(2,561)	-	-	-	51,082
8	320	Water Treatment Equipment	-	-	3,387	-	-	-	-	120,576
9	320.1	Water Treatment Plants	263,610	-	-	-	14,718	-	-	278,328
10	320.2	Solutions & Feeders	-	-	-	-	-	-	-	-
11	320.3	Arsenic Remediation Plant	-	-	-	-	-	-	-	-
12	330	Distribution Reservoirs & Standpipes	-	-	-	-	-	-	-	-
13	330.1	Storage Tank	858,166	-	-	-	(510,952)	-	-	347,214
14	330.2	Pressure Tanks	-	-	-	-	228,710	-	-	228,710
15	331	Transmission & Distribution Mains	2,343,549	(205,814)	-	-	3,464	-	-	2,141,199
16	333	Services	518,785	(127,528)	-	-	-	-	-	391,257
17	334	Meters & Meter Installations	154,334	-	-	-	-	-	-	154,334
18	335	Hydrants	208,018	(33,150)	-	-	-	-	-	174,868
19	336	Backflow Prevention Devices	-	-	-	-	-	-	-	-
20	339	Other Plant & Misc. Equip.	651	-	-	-	-	-	-	651
21	340	Office Furniture & Fixtures	5,752	-	-	-	-	-	-	5,752
22	340.1	Computer & Software	-	-	-	-	-	-	-	-
23	341	Transportation Equipment	8,224	-	-	-	-	-	-	8,224
24	342	Stores Equipment	3,836	-	-	-	-	-	-	3,836
25	343	Tools & Work Equipment	2,856	-	-	-	-	-	-	2,856
26	344	Laboratory Equipment	14,718	-	-	-	(14,718)	-	-	-
27	345	Power Operated Equipment	18,224	-	-	-	-	-	-	18,224
28	345	Communications Equipment	-	-	-	-	-	-	-	-
29	347	Miscellaneous Equipment	6,124	-	-	-	-	-	-	6,124
30	348	Other Intangibles	-	-	-	-	-	-	-	-
31										
34		Gross Utility Plant in Service	\$ 5,318,335	\$ (377,090)	\$ 3,387	\$ (2,561)	\$ (22,094)	\$ -	\$ -	\$ 4,919,976
35		Less: Accumulated Depreciation	873,019	-	-	-	-	(42,966)	-	830,053
36		Net Utility Plant in Service (L29 - L30)	\$ 4,445,316	\$ (377,090)	\$ 3,387	\$ (2,561)	\$ (22,094)	\$ 42,966	\$ -	\$ 4,089,924
37										
38		DEDUCTIONS								
39		Contributions in Aid of Construction (CIAC)	\$ 233,715	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 233,715
40		Less: Accumulated Amortization	27,711	-	-	-	-	-	-	27,711
41		Net CIAC (L32 - L33)	\$ 206,004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 206,004
42		Advances in Aid of Construction (AIAC)	\$ 2,861,057	-	-	-	-	-	(366,492)	2,494,565
43		Customer Meter Deposits	-	-	-	-	-	-	-	-
44		Deferred Income Tax Credits	-	-	-	-	-	-	-	-
45		Total Deductions	\$ 3,067,061	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (366,492)	\$ 2,700,569
46										
47		ADDITIONS:								
48		Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
49		Deferred Tax Assets	-	-	-	-	-	-	-	-
50		Allowance for Working Capital	-	-	-	-	-	-	-	-
51		Intentional Left Blank	-	-	-	-	-	-	-	-
52		Total Additions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
53										
54		ORIGINAL COST RATE BASE	\$ 1,378,255	\$ (377,090)	\$ 3,387	\$ (2,561)	\$ (22,094)	\$ 42,966	\$ 366,492	\$ 1,389,355

RATE BASE ADJUSTMENT NO. 1 - NOT USED AND USEFUL PLANT

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Acct No. 302 - Franchise Costs	\$ 73,931	\$ (5,904)	\$ 68,027
2	Acct No. 303 - Land and Land Rights	\$ 32,810	\$ (4,694)	\$ 28,116
3	Acct No. 331 - Trans & Distrib Mains	\$ 2,343,549	\$ (205,814)	\$ 2,137,735
4	Acct No. 333 - Services	\$ 518,785	\$ (127,528)	\$ 391,257
5	Acct No. 335 - Hydrants	\$ 208,018	\$ (33,150)	\$ 174,868
6	Total	\$ 3,177,093	\$ (377,090)	\$ 2,800,003

References

Column A: Company Schedule B-2

Column B: Testimony, CSB

Column C: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 2 - EXPENSED PLANT

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Acct No. 311 - Electric Pumping Equipment	\$ -	\$ 3,387	\$ 3,387

References

Column A: Company Schedule B-2
Column B: Testimony, CSB
Column C: Column [A] + Column [B]

Red Rock Utilities L.L.C. - Water Division
Docket No. WS-04245A-14-0295
Test Year Ended December 31, 2013

Plan B
Schedule CSB-7

RATE BASE ADJUSTMENT NO. 3 - PUMP RETIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Acct No. 311 - Electric Pumping Equipment	\$ -	\$ (2,561)	\$ (2,561)

References

Column A: Company Schedule B-2
Column B: Testimony, CSB
Column C: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 4 - RECLASSIFIED PLANT

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Acct No. 302 - Franchise Costs	\$ 73,931	\$ (24,300)	\$ 49,632
2	Acct No. 304 - Structures and Improvements	\$ 8,049	\$ 134,889	\$ 142,938
3	Acct No. 307 - Wells and Springs	\$ 691,317	\$ 26,345	\$ 717,662
4	Acct No. 311 - Electric Pumping Equipment	\$ -	\$ 119,750	\$ 119,750
5	Acct No. 320 - Water Treatment Plants	\$ 263,610	\$ 14,718	\$ 278,328
6	Acct No. 330.1 - Storage Tanks	\$ 858,166	\$ (510,952)	\$ 347,214
7	Acct No. 330.2 - Pressure Tanks	\$ -	\$ 228,710	\$ 228,710
8	Acct No. 331 - Transmission & Distrib Mains	\$ 2,343,549	\$ 3,464	\$ 2,347,013
9	Acct No. 344 - Laboratory Equipment	\$ 14,718	\$ (14,718)	\$ -
10	Total	\$ 4,253,340	\$ (22,094)	\$ 4,231,246

11		Detail of Plant Reclassification Costs		
12		Account No.	Account Description	Amount
13		302	Franchise Cost	\$ (2,206)
14		302	Franchise Cost	\$ (22,094)
15				<u>\$ (24,300)</u>
16		304	Structures & Improvements	\$ 134,889
17		307	Wells & Springs	\$ 26,345
18		311	Electric Pumping Equipment	\$ 119,750
19		320	Water Treatment Plants	\$ 14,718
20		330.1	Storage Tanks	\$ (228,710)
21		330.1	Storage Tanks	\$ (134,889)
22		330.1	Storage Tanks	\$ (26,345)
23		330.1	Storage Tanks	\$ (1,258)
24		330.1	Storage Tanks	<u>\$ (119,750)</u>
25				<u>\$ (510,952)</u>
26		330.2	Pressure Tanks	\$ 228,710
27		331	Transmission & Distribution Mains	\$ 1,258
28		331	Transmission & Distribution Mains	<u>\$ 2,206</u>
29				<u>\$ 3,464</u>
30		344	Laboratory Equipment	<u>\$ (14,718)</u>
31				<u><u>\$ (22,094)</u></u>

References

Column A: Company Schedule B-2
Column B: Testimony, CSB
Column C: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 5 - ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Accumulated Depreciation	\$ 873,019	\$ -	\$ 873,019
2	Accum Depr Related to Pump Retirement	-	(2,561)	(2,561)
3	Accum Depr Related to 2013 Pump Reclassified from R&M	-	212	212
4	Accum Depr Related to Not Used & Useful Plant	-	(40,617)	(40,617)
5		\$ 873,019	\$ (42,966)	\$ 830,053
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24				
25				

2013 Pump
Reclassified
from Repairs &
Maintenance

\$ 3,387

x 12.5%

\$ 423

0.5 1/2 Year Convention

\$ 212

Accum. Depr.
Data Request CSB 11.4

\$ 18,523 Acct No. 331 Mains

\$ 19,110 Acct No. 333 Services

\$ 2,984 Acct No. 335 Hydrants

\$ 40,617 AIAC for Village 2, Unit 2

REFERENCES:

Column [A]: Company Schedule B-2

Column [B]: Testimony, CSB

Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 6 - AIAC

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Advances In Aid of Construction ("AIAC")	\$ 2,861,057	\$ (366,492)	\$ 2,494,565

AIAC	
Data Request CSB 11.4	
\$	205,814
\$	127,528
\$	33,150
\$	366,492

Acct No. 331 Mains
Acct No. 333 Services
Acct No. 335 Hydrants
AIAC for Village 2, Unit 2

References

Column A: Company Schedule B-2
Column B: Testimony, CSB
Column C: Column [A] + Column [B]

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	ADJ. NO.	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>REVENUES:</u>						
2	Metered Water Sales	\$ 523,770	\$ (179,937)	1	\$ 343,833	\$ 207,670	\$ 551,503
3	Water Sales - Unmetered	-	-		-	-	-
4	Other Operating Revenue	9,276	-		9,276	-	9,276
5	Total Operating Revenues	\$ 533,046	\$ (179,937)		\$ 353,109	\$ 207,670	\$ 560,779
6							
7	<u>OPERATING EXPENSES:</u>						
8	Salaries & Wages	\$ 45,670	\$ -		\$ 45,670	\$ -	\$ 45,670
9	Employee Pensions and Benefits	1,564	-		1,564	-	1,564
10	Purchased Water	-	-		-	-	-
11	Purchased Power	29,723	(9,503)	2	20,220	-	20,220
12	Chemicals	2,365	-		2,365	-	2,365
13	Repairs & Maintenance	37,989	(3,387)	3	34,602	-	34,602
14	Office Supplies & Expense	884	-		884	-	884
15	Contractual Services - Management Fee	60,000	(50,000)	4	10,000	-	10,000
16	Contractual Services - Legal & Acctng	27,776	-		27,776	-	27,776
17	Contractual Services - Other	16,914	-		16,914	-	16,914
18	Contractual Services - Water Testing	1,378	1,240	5	2,618	-	2,618
19	Rents	-	-		-	-	-
20	Transportation Expense	-	-		-	-	-
21	Insurance - General Liability	11,438	-		11,438	-	11,438
22	Insurance - Health & Life	-	-		-	-	-
23	Regulatory Commission Exp - Rate Case	5,000	-		5,000	-	5,000
24	Miscellaneous Expense	13,358	-		13,358	-	13,358
25	Depreciation Expense	132,265	9,547	6	141,812	-	141,812
26	Taxes Other than Income	3,458	-		3,458	-	3,458
27	Property Taxes	26,568	(8,968)	7	17,600	3,450	21,050
28	Income Tax	-	(446)	8	(446)	70,506	70,060
29							
30	Total Operating Expenses	\$ 416,351	\$ (61,517)		\$ 354,834	\$ 73,956	\$ 428,790
31							
32	Operating Income (Loss)	\$ 116,695	\$ (118,420)		\$ (1,725)	\$ 133,714	\$ 131,989

References:

Column (A): Company Schedule C-1
Column (B): Schedule CSB-11
Column (C): Column (A) + Column (B)
Column (D): Schedules CSB-1 and CSB-2
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1 Revenue Ref: Sch CSB-13	[C] ADJ #2 Purchased Power Ref: Sch CSB-14	[D] ADJ #3 Repair and Maintenance Ref: Sch CSB-15	[E] ADJ #4 Contract Svcs, Management Fee Ref: Sch CSB-16	[F] ADJ #5 Contract Svcs, Water Testing Ref: Sch CSB-17	[G] ADJ #6 Depreciation Expense Ref: Sch CSB-18	[H] ADJ #7 Property Taxes Ref: Sch CSB-19	[I] ADJ #8 Income Taxes Ref: Sch CSB-20	[J] STAFF AS ADJUSTED
1	REVENUES:										
2	Metered Water Sales	\$ 523,770	\$ (179,937)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 343,833
3	Water Sales - Unmetered	-	-	-	-	-	-	-	-	-	-
4	Other Operating Revenue	9,276	-	-	-	-	-	-	-	-	-
5	Total Operating Revenues	\$ 533,046	\$ (179,937)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,276
6											
7	OPERATING EXPENSES:										
8	Salaries & Wages	\$ 45,670	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,670
9	Employee Pensions and Benefits	1,564	-	-	-	-	-	-	-	-	1,564
10	Purchased Water	-	-	-	-	-	-	-	-	-	-
11	Purchased Power	29,723	-	(9,503)	-	-	-	-	-	-	20,220
12	Chemicals	2,365	-	-	-	-	-	-	-	-	2,365
13	Repairs & Maintenance	37,989	-	-	-	-	-	-	-	-	34,602
14	Office Supplies & Expense	884	-	-	(3,387)	-	-	-	-	-	884
15	Contractual Services - Management Fee	60,000	-	-	-	(50,000)	-	-	-	-	10,000
16	Contractual Services - Legal & Acctg	27,776	-	-	-	-	-	-	-	-	27,776
17	Contractual Services - Other	16,914	-	-	-	-	-	-	-	-	16,914
18	Contractual Services - Water Testing	1,378	-	-	-	-	1,240	-	-	-	2,618
19	Rents	-	-	-	-	-	-	-	-	-	-
20	Transportation Expense	-	-	-	-	-	-	-	-	-	-
21	Insurance - General Liability	11,438	-	-	-	-	-	-	-	-	11,438
22	Insurance - Worker's Comp	-	-	-	-	-	-	-	-	-	-
23	Regulatory Commission Exp - Rate Case	5,000	-	-	-	-	-	-	-	-	5,000
24	Miscellaneous Expense	13,358	-	-	-	-	-	-	-	-	13,358
25	Depreciation Expense	132,265	-	-	-	-	-	9,547	-	-	141,812
26	Taxes Other than Income	3,458	-	-	-	-	-	-	-	-	3,458
27	Property Taxes	26,568	-	-	-	-	-	-	(8,968)	-	17,600
28	Income Tax	-	-	-	-	-	-	-	-	(446)	(446)
29	Total Operating Expenses	\$ 416,351	\$ (9,503)	\$ (50,000)	\$ (3,387)	\$ (50,000)	\$ 1,240	\$ 9,547	\$ (8,968)	\$ (446)	\$ 354,834
30											
31	Operating Income (Loss)	\$ 116,695	\$ (179,937)	\$ 9,503	\$ 3,387	\$ 50,000	\$ (1,240)	\$ (9,547)	\$ 8,968	\$ 446	\$ (1,725)

OPERATING INCOME ADJUSTMENT NO. 1 - REVENUE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Metered Water Sales	\$ 523,770	\$ (179,937)	\$ 343,833
2	Water Sales - Unmetered	-	-	-
3	Other Operating Revenues	9,276	-	9,276
4	Total Revenues	<u>\$ 533,046</u>	<u>\$ (179,937)</u>	<u>\$ 353,109</u>

References:

Column (A), Company Schedule C-1

Column (B): Testimony CSB

Column (C): Column (A) + Column (B)

Red Rock Utilities L.L.C. - Water Division
Docket No. WS-04245A-14-0295
Test Year Ended December 31, 2013

Plan B
Schedule CSB-14

OPERATING INCOME ADJUSTMENT NO. 2 - PURCHASED POWER

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Purchased Power	\$ 29,723	\$ (9,503)	\$ 20,220
2		-	-	-
3	Total	\$ 29,723	\$ (9,503)	\$ 20,220

References:

Column (A), Company Schedule C-1
Column (B): Testimony CSB
Column (C): Column (A) + Column (B)

Red Rock Utilities L.L.C. - Water Division
Docket No. WS-04245A-14-0295
Test Year Ended December 31, 2013

Plan B
Schedule CSB-15

OPERATING INCOME ADJUSTMENT NO. 3 - REPAIRS AND MAINTENANCE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Repairs & Maintenance	\$ 37,989	\$ (3,387)	\$ 34,602
2		-	-	-
3	Total	\$ 37,989	\$ (3,387)	\$ 34,602

References:

Column (A), Company Schedule C-1

Column (B): Testimony CSB

Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT NO. 4 - CONTRACT SERVICES, MANAGEMENT FEE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Contractual Services - Management Fee	\$ 60,000	\$ (50,000)	\$ 10,000
2		-	-	-
3	Total	<u>\$ 60,000</u>	<u>\$ (50,000)</u>	<u>\$ 10,000</u>

References:

Column (A), Company Schedule C-1

Column (B): Testimony CSB; Data Request WEB 6-2

Column (C): Column (A) + Column (B)

Red Rock Utilities L.L.C. - Water Division
Docket No. WS-04245A-14-0295
Test Year Ended December 31, 2013

Plan B
Schedule CSB-17

OPERATING ADJUSTMENT NO. 5 - CONTRACT SERVICES WATER TESTING

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Contractual Services - Water Testing	\$ 1,378	\$ 1,240	\$ 2,618
2		-	-	-
3	Total	<u>\$ 1,378</u>	<u>\$ 1,240</u>	<u>\$ 2,618</u>

References:

Column (A), Company Schedule C-1
Column (B): Testimony CSB
Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT No. 6 - DEPRECIATION EXPENSE

Line No.	Acct. No.	Description	Gross Utility Plant In Service	Non Depreciable and/or Fully Fully Depreciated	Depreciable Plant	Depreciation Rate	Depreciation Expense
Plant In Service							
1	301	Organization Costs	\$ 54,297	\$ 54,297	\$ -	0.00%	\$ -
2	302	Franchise Costs	43,728	73,931	(30,203)	0.00%	-
3	303	Land & Land Rights	28,116	32,810	(4,694)	0.00%	-
4	304	Structures & Improvements	142,938	-	142,938	3.33%	4,760
5	307	Wells & Springs	717,662	-	717,662	3.33%	23,898
6	310	Power Generation Equipment	51,082	-	51,082	5.00%	2,554
7	311	Electric Pumping Equipment	120,576	-	120,576	12.50%	15,072
8	320	Water Treatment Equipment					
9	320.1	Water Treatment Plants	278,328	-	278,328	3.33%	9,268
10	320.2	Solutions & Feeders	-	-	-	20.00%	-
11	320.3	Arsenic Remediation Plant	-	-	-		-
12	330	Distribution Reservoirs & Standpipes					
13	330.1	Storage Tank	347,214	-	347,214	2.22%	7,708
14	330.2	Pressure Tanks	228,710	-	228,710	5.00%	11,436
15	331	Transmission & Distribution Mains	2,141,199	-	2,141,199	2.00%	42,824
16	333	Services	391,257	-	391,257	3.33%	13,029
17	334	Meters & Meter Installations	154,334	-	154,334	8.33%	12,856
18	335	Hydrants	174,868	-	174,868	2.00%	3,497
19	336	Backflow Prevention Devices	-	-	-	6.67%	-
20	339	Other Plant & Misc. Equip.	651	-	651	6.67%	43
21	340	Office Furniture & Fixtures	5,752	-	5,752	6.67%	384
22	340.1	Computer & Software	-	-	-	20.00%	-
23	341	Transportation Equipment	8,224	8,224	-	20.00%	-
24	342	Stores Equipment	3,836	-	3,836	4.00%	153
25	343	Tools & Work Equipment	2,856	-	2,856	5.00%	143
26	344	Laboratory Equipment	-	-	-	10.00%	-
27	345	Power Operated Equipment	18,224	-	18,224	5.00%	911
28	345	Communications Equipment	-	-	-	10.00%	-
29	347	Miscellaneous Equipment	6,124	-	6,124	10.00%	612
30	348	Other Intangibles	-	-	-	0.00%	-
31							
32		Subtotal General	\$ 4,919,976	\$ 169,262	\$ 4,750,714		\$ 149,149
33							
34		Composite Depreciation (Depr Exp / Depreciable Plant)					3.14%
35		Gross CIAC				\$	233,715
36		Amortization of CIAC				\$	7,338
37							
38		Depreciation Expense before Amortization of CIAC				\$	149,149
39		Amortization of CIAC				\$	7,338
40		Test Year Depreciation Expense - Staff				\$	141,812
41		Test Year Depreciation Expense - Company				\$	132,265
42		Staff's Adjustment				\$	9,547

OPERATING INCOME ADJUSTMENT No. 7 - PROPERTY TAXES

LINE NO.	DESCRIPTION	[A]		[B]	
		STAFF		STAFF	
		AS ADJUSTED		RECOMMENDED	
1	Staff Adjusted Test Year Revenues	\$	353,109	\$	353,109
2	Weight Factor		2		2
3	Subtotal (Line 1 * Line 2)	\$	706,218	\$	706,218
4	Staff Recommended Revenue		353,109		560,779
5	Subtotal (Line 4 + Line 5)	\$	1,059,327	\$	1,266,997
6	Number of Years		3		3
7	Three Year Average (Line 5 / Line 6)	\$	353,109	\$	422,332
8	Department of Revenue Multiplier		2		2
9	Revenue Base Value (Line 7 * Line 8)	\$	706,218	\$	844,664
10	Plus: 10% of CWIP		-		-
11	Less: Net Book Value of Licensed Vehicles		-		-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$	706,218	\$	844,664
13	Assessment Ratio		18.00%		18.00%
14	Assessment Value (Line 12 * Line 13)	\$	127,119	\$	152,040
15	Composite Property Tax Rate -		13.84490%		13.84490%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$	17,600		
17	Company Proposed Property Tax		26,568		
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$	(8,968)		
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)			\$	21,050
20	Staff Test Year Adjusted Property Tax Expense (Line 16)				17,600
21	Increase in Property Tax Due to Increase in Revenue Requirement			\$	3,450
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)			\$	3,450
23	Increase in Revenue Requirement			\$	207,670
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)				1.661388%

OPERATING INCOME ADJUSTMENT NO. 8 - INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Income Tax Expense	\$ -	\$ (446)	\$ (446)
2				
3	Total	\$ -	\$ (446)	\$ (446)

References:

Column (A), Company Schedule C-1

Column (B): Testimony CSB

Column (C): Column (A) + Column (B)

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION		[A]	[B]
			COMPANY ORIGINAL COST	STAFF ORIGINAL COST
1	Adjusted Rate Base	\$	936,312	\$ 976,488
2	Adjusted Operating Income (Loss)	\$	(262,075)	\$ (216,151)
3	Current Rate of Return (L2 / L1)		-27.99%	-22.14%
4	Required Rate of Return		9.50%	0.00%
5	Required Operating Income (L4 * L1)	\$	88,950	\$ -
6	Operating Income Deficiency (L5 - L2)	\$	351,025	\$ 216,151
7	Gross Revenue Conversion Factor		1.0169	1.6448
8	Required Revenue Increase (L7 * L6)	\$	356,957	\$ 355,517
9	Adjusted Test Year Revenue	\$	477,549	\$ 287,949
10	Proposed Annual Revenue (L8 + L9)	\$	834,505	\$ 643,466
11	Required Increase in Revenue (%)		74.75%	123.47%

References:

Column [A]: Company Schedules A-1

Column [B]: Staff Schedules CSB-2, CSB-3, & CSB-11

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17) + Property Tax Factor (Line 22)	39.2011%			
5	Subtotal (L3 - L4)	60.7989%			
6	Revenue Conversion Factor (L1 / L5)	1.6448			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.1739%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.8261%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.5000%			
14	Federal Taxable Income (L12 - L13)	93.5000%			
15	Applicable Federal Income Tax Rate (Line 44)	33.8758%			
16	Effective Federal Income Tax Rate (L14 x L15)	31.6739%			
17	Combined Federal and State Income Tax Rate (L13 + L16)	38.1739%			
<u>Calculation of Effective Property Tax Factor</u>					
18	Unity	100.0000%			
19	Combined Federal and State Tax Rate (Line 17)	38.1739%			
20	One Minus Combined Income Tax Rate (L18 - L19)	61.8261%			
21	Property Tax Factor (CSB-15, L24)	1.6614%			
22	Effective Property Tax Factor (L21 * L22)	0.010271713			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		39.2011%		
24	Required Operating Income (Schedule CSB-1, Line 5)	\$ -			
25	Adjusted Test Year Operating Income (Loss) (Schedule CSB-8, Line 40)	\$ (216,151)			
26	Required Increase in Operating Income (L24 - L25)		\$ 216,151		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	\$ 0			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	\$ (133,460)			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 133,461		
30	Recommended Revenue Requirement (Schedule CSB-1, Line 10)	\$ 643,466			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -			
33	Adjusted Test Year Uncollectible Expense	\$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		\$ -		
35	Property Tax with Recommended Revenue (CSB-15, L19)	\$ 20,223			
36	Property Tax on Test Year Revenue (CSB-15, L16)	\$ 14,317			
37	Increase in Property Tax Due to Increase in Revenue (CSB-15, L22)		\$ 5,907		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		\$ 355,518		
<u>Calculation of Income Tax:</u>					
		Test Year		STAFF Recommended	
39	Revenue (Schedule CSB-8)	\$ 287,949	\$ 355,518	\$ 643,467	
40	Operating Expenses Excluding Income Taxes	637,560	\$ 5,907	643,466	
41	Synchronized Interest (L47)	-		-	
42	Arizona Taxable Income (L36 - L37- L38)	\$ (349,611)		\$ 1	
43	Arizona State Income Tax Rate	6.5000%		6.5000%	
44	Arizona Income Tax (L39 x L40)		\$ (22,725)		\$ 0
45	Federal Taxable Income (L33 - L35)	\$ (326,886)		\$ 1	
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	(7,500)		0	
47	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	(6,250)		-	
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	(8,500)		-	
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	(88,486)		-	
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	-		-	
51	Total Federal Income Tax	\$ (110,736)		\$ 0	
52	Combined Federal and State Income Tax (L35 + L42)	\$ (133,460)		\$ 0	
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				33.88%
<u>Calculation of Interest Synchronization:</u>					
54	Rate Base (Schedule CSB-3, Col. (C), Line (17))	\$ 976,488			
55	Weighted Average Cost of Debt (Schedule CSB-1)	0.00%			
56	Synchronized Interest (L45 X L46)	\$ -			

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	[A]	[B]	ADJ. NO.	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS		STAFF AS ADJUSTED
1	Plant in Service	\$ 8,489,666	\$ (531,873)	1, 2	\$ 7,957,793
2	Less: Accumulated Depreciation	1,355,878	(49,414)	3	1,306,464
3	Net Plant in Service	<u>\$ 7,133,788</u>	<u>\$ (482,459)</u>		<u>\$ 6,651,329</u>
<u>LESS:</u>					
4	Net Contribution in Aid-of Construction (CIAC)	\$ 522,635	\$ (522,635)		\$ -
5	Advances in Aid of Construction (AIAC)	5,674,841	-		5,674,841
8	Customer Deposits	-	-		-
9	Deferred Income Tax Credits	-	-		-
	Total Deductions	<u>\$ 6,197,476</u>	<u>\$ (522,635)</u>		<u>\$ 5,674,841</u>
<u>ADD:</u>					
10	Unamortized Finance Charges	\$ -	\$ -		\$ -
11	Deferred Tax Assets	-	-		-
12	Allowance for Working Capital	-	-		-
13	Intentional Left Blank	-	-		-
	Total Additions	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>
14	Original Cost Rate Base	<u>\$ 936,312</u>	<u>\$ 40,176</u>		<u>\$ 976,488</u>

References:

Column (A), Company Schedule B-1
Column (B): Schedule CSB-4
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1 Not Used & Useful Plant	[C] ADJ #2 Non Plant Costs	[D] ADJ #3 Reclassified Plant	[E] ADJ #4 Accumulated Depreciation	[F] ADJ #5 CIAC & Amort of CIAC	[G] STAFF ADJUSTED
			Ref: Sch CSB-5	Ref: Sch CSB-6	Ref: Sch CSB-7	Ref: Sch CSB-8	Ref: Sch CSB-9		
1	351	Organization Costs	\$ 11,983	\$ -	\$ -	\$ -	\$ -	\$ -	11,983
2	352	Franchise Costs	59,751	-	(4,924)	-	-	-	54,827
3	353	Land & Land Rights	6,538	-	-	-	-	-	6,538
4	354	Structures & Improvements	14,298	-	-	849,935	-	-	864,233
5	355	Power Generation Equipment	-	-	-	31,432	-	-	31,432
6	360	Collection Sewer Forced	-	-	-	-	-	-	-
7	361	Collection Sewer Gravity	5,978,394	(549,043)	-	-	-	-	5,429,351
8	362	Special Collecting Structures	-	-	-	-	-	-	-
9	363	Customer Services	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	-	-	-	-	-	-	-
11	366	Reuse Services	26,931	-	-	-	-	-	26,931
12	367	Reuse Meters and Installation	-	-	-	-	-	-	-
13	370	Receiving Wells	-	-	-	-	-	-	-
14	371	Pumping Equipment	-	-	-	13,732	-	-	13,732
15	374	Reuse Distribution Reservoirs	280,411	-	-	-	-	-	280,411
16	375	Reuse Transmission and Distrib Syste	625,073	-	-	-	-	-	625,073
17	380	Treatment and Disposal Equipment	1,467,234	-	-	(876,823)	-	-	590,411
18	381	Plant Sewers	-	-	-	-	-	-	-
19	382	Outfall Sewer Lines	-	-	-	-	-	-	-
20	389	Other Sewer Plant and Equipment	-	-	-	-	-	-	-
21	390	Office Furniture and Equipment	10,039	-	-	-	-	-	10,039
22	390.1	Computers and Software	-	-	-	-	-	-	-
23	391	Transportation Equipment	8,224	-	-	-	-	-	8,224
24	392	Stores Equipment	-	-	-	-	-	-	-
25	393	Tools, Shop and Garage Equipment	-	-	-	-	-	-	-
26	394	Laboratory Equipment	790	-	-	-	-	-	790
27	396	Communication Equipment	-	-	-	882	-	-	882
28	398	Other Tangible Plant	-	-	-	-	-	-	-
29		Reconciling Item Due to Excess Cap Alloca	-	-	-	2,936	-	-	2,936
32		Gross Utility Plant in Service	\$ 8,489,666	\$ (549,043)	\$ (4,924)	\$ 22,094	\$ -	\$ -	\$ 7,957,793
33		Less: Accumulated Depreciation	1,355,878	-	-	-	(49,414)	-	1,306,464
34		Net Utility Plant in Service (L29 - L30)	\$ 7,133,788	\$ (549,043)	\$ (4,924)	\$ 22,094	\$ 49,414	\$ -	\$ 6,651,329
35									
36		DEDUCTIONS							
37		Contributions in Aid of Construction (CIAC)	\$ 549,043	\$ -	\$ -	\$ -	\$ -	\$ (549,043)	\$ -
38		Less: Accumulated Amortization	26,408	-	-	-	-	(26,408)	-
39		Net CIAC (L32 - L33)	\$ 522,635	\$ -	\$ -	\$ -	\$ -	\$ (522,635)	\$ -
40		Advances in Aid of Construction (AIAC)	\$ 5,674,841	-	-	-	-	-	5,674,841
41		Customer Meter Deposits	-	-	-	-	-	-	-
42		Deferred Income Tax Credits	-	-	-	-	-	-	-
43		Total Deductions	\$ 6,197,476	\$ -	\$ -	\$ -	\$ -	\$ (522,635)	\$ 5,674,841
45		ADDITIONS:							
46		Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47		Deferred Tax Assets	-	-	-	-	-	-	-
48		Allowance for Working Capital	-	-	-	-	-	-	-
49		Intentional Left Blank	-	-	-	-	-	-	-
50		Total Additions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
51									
52		ORIGINAL COST RATE BASE	\$ 936,312	\$ (549,043)	\$ (4,924)	\$ 22,094	\$ 49,414	\$ 522,635	\$ 976,488

Red Rock Utilities L.L.C. - Wastewater Division
Docket No. WS-04245A-14-0295
Test Year Ended December 31, 2013

Plan A
Schedule CSB-5

RATE BASE ADJUSTMENT NO. 1 - NOT USED AND USEFUL PLANT

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Acct No. 352 - Franchise Costs	\$ 59,751	\$ (4,924)	\$ 54,827
2	Acct No. 361 - Collection Sewer, Gravity	\$ 5,978,394	\$ (549,043)	\$ 5,429,351
3	Total	\$ 6,038,145	\$ (553,967)	\$ 5,484,178

References

Column A: Company Schedule B-2

Column B: Testimony, CSB

Column C: Column [A] + Column [B]

Red Rock Utilities L.L.C. - Wastewater Division
Docket No. WS-04245A-14-0295
Test Year Ended December 31, 2013

Plan A
Schedule CSB-6

RATE BASE ADJUSTMENT NO. 2 - NONPLANT COSTS

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Acct No. 352 - Franchise Costs	\$ 59,751	\$ (4,924)	\$ 54,827
2		\$ -	\$ -	\$ -
3	Total	\$ 59,751	\$ (4,924)	\$ 54,827

References

Column A: Company Schedule B-2

Column B: Testimony, CSB

Column C: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 3 - RECLASSIFIED PLANT

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Acct No. 354 - Structures and Improvements	\$ 14,298	\$ 849,935	\$ 864,233
2	Acct No. 355 - Power Generation Equipment	-	31,432	31,432
3	Acct No. 371 - Pumping Equipment	-	13,732	13,732
4	Acct No. 380 - Treatment and Disposal Equipment	1,467,234	(876,823)	590,411
5	Acct No. 394 - Laboratory Equipment	790	-	790
6	Acct No. 396 - Communication Equipment	-	882	882
7	Reconciling Item Due to Excess Capacity Allocatio	-	2,936	2,936
8	Total	\$ 1,482,322	\$ 22,094	\$ 1,504,416
9				
10				
11	Detail of Plant Reclassification Costs			
12	Account No.	Account Description	Amount	
13				
14				
15	304	Structures & Improvements	\$ 849,935	
16				
17	355	Power Generation Equipment	\$ 31,432	
18				
19	371	Pumping Equipment	\$ 49,042	
20		x 0.28 100%-72%(Excess Capacity Adj)		
21		\$ 13,732		
22				
23	380	Treatment and Disposal Equipment	\$ 22,094	Reclassified from Water Division
24	380	Treatment and Disposal Equipment	\$ (31,432)	
25	380	Treatment and Disposal Equipment	\$ (882)	
26	380	Treatment and Disposal Equipment	\$ -	
27	380	Treatment and Disposal Equipment	\$ (49,042)	
28	380	Treatment and Disposal Equipment	\$ (3,072,247)	
29		\$ (3,131,509)		
30		x 0.28 100%-72%(Excess Capacity Adj)		
31		\$ (876,823)		
32				
33	394	Laboratory Equipment	\$ -	
34				
35	344	Communication Equipment	\$ 882	
36				
37	Reconciling Item Due to Excess Capacity Allocatio	\$ 2,936		
38				
39		\$ 22,094		

References

Column A: Company Schedule B-2

Column B: Testimony, CSB

Column C: Column [A] + Column [B]

Red Rock Utilities L.L.C. - Wastewater Division
Docket No. WS-04245A-14-0295
Test Year Ended December 31, 2013

Plan A
Schedule CSB-8

RATE BASE ADJUSTMENT NO. 4 - ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Accumulated Depreciation	\$ 1,355,878	\$ -	\$ 1,355,878
2	Accum Depr Related to Not Used & Useful Plant	-	(49,414)	(49,414)
3		\$ 1,306,464	\$ (49,414)	\$ 1,306,464

REFERENCES:

Column [A]: Company Schedule B-2

Column [B]: Testimony, CSB; Data Request Response CSB 11.4

Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 4 - CIAC & AMORTIZATION OF CIAC

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Contributions In Aid of Construction ("CIAC")	\$ 549,043	\$ (549,043)	\$ -
2	Amortization of CIAC	26,408	(26,408)	-
3		\$ -	\$ (575,451)	\$ -

REFERENCES:

Column [A]: Company Schedule B-2

Column [B]: Testimony, CSB; Data Request Response CSB 11.4

Column [C]: Column [A] + Column [B]

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	Adj No.	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	REVENUES:						
2	Flat Rate Revenue	\$ 465,331	\$ (189,600)	1	\$ 275,731	\$ 355,517	\$ 631,248
3	Reclaimed Water Revenues	12,218	-		12,218	-	12,218
4	Other Water Revenue	-	-		-	-	-
5	Total Operating Revenues	\$ 477,549	\$ (189,600)		\$ 287,949	\$ 355,517	\$ 643,466
6							
7	OPERATING EXPENSES:						
8	Salaries & Wages	\$ 15,223	\$ -		\$ 15,223	\$ -	\$ 15,223
9	Employee Pensions and Benefits	930	-		930	-	930
10	Sludge Removal	7,538	-		7,538	-	7,538
11	Purchased Water	2,672	-		2,672	-	2,672
12	Purchased Power	98,122	(38,517)	2	59,605	-	59,605
13	Repairs & Maintenance	30,231	-		30,231	-	30,231
14	Office Supplies & Expense	3,283	-		3,283	-	3,283
15	Contractual Services - Engineering	-	-		-	-	-
16	Contractual Services - Accounting	56,000	-		56,000	-	56,000
17	Contractual Services - Legal	32,485	-		32,485	-	32,485
18	Contractual Services - Other	220,686	(50,000)	3	170,686	-	170,686
19	Contractual Services - Water Testing	13,797	4,845	4	18,642	-	18,642
20	Transportation Expense	-	-		-	-	-
21	Insurance - General Liability	11,902	-		11,902	-	11,902
22	Insurance - Worker's Comp	-	-		-	-	-
23	Regulatory Commission Exp - Rate Case	5,000	-		5,000	-	5,000
24	Miscellaneous Expense	11,744	-		11,744	-	11,744
25	Depreciation Expense	203,130	(8,943)	5	194,187	-	194,187
26	Taxes Other than Income	3,115	-		3,115	-	3,115
27	Property Taxes	23,766	(9,449)	6	14,317	5,907	20,223
28	Income Tax	-	(133,460)	7	(133,460)	133,461	0
29							
30	Total Operating Expenses	\$ 739,624	\$ (235,524)		\$ 504,100	\$ 139,367	\$ 643,467
31							
32	Operating Income (Loss)	\$ (262,075)	\$ 45,924		\$ (216,151)	\$ 216,150	\$ (1)

References:

Column (A): Company Schedule C-1
Column (B): Schedule CSB-9
Column (C): Column (A) + Column (B)
Column (D): Schedules CSB-1 and CSB-2
Column (E): Column (C) + Column (D)

LINE NO.	DESCRIPTION	[A] COMPANY	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[F] ADJ #5	[G] ADJ #6	[H] ADJ #7	[I] ADJ #8
		AS FILED	Revenue	Purchased Power	Contract Services Other	Contract Services Water Testing	Depreciation Expense	Property Tax	Income Tax	STAFF ADJUSTED
		Ref. Sch CSB-12	Ref. Sch CSB-13	Ref. Sch CSB-13	Ref. Sch CSB-14	Ref. Sch CSB-15	Ref. Sch CSB-16	Ref. Sch CSB-17	Ref. Sch CSB-18	
1	REVENUES:									
2	Flat Rate Revenue	\$ 465,331	\$ (189,600)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 275,731
3	Reclaimed Water Revenues	12,218	-	-	-	-	-	-	-	12,218
4	Other Water Revenue	-	-	-	-	-	-	-	-	-
5	Total Operating Revenues	\$ 477,549	\$ (189,600)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 287,949
6										
7	OPERATING EXPENSES:									
8	Salaries & Wages	\$ 15,223	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,223
9	Employee Pensions and Benefits	930	-	-	-	-	-	-	-	930
10	Sludge Removal	7,538	-	-	-	-	-	-	-	7,538
11	Purchased Water	2,672	-	-	-	-	-	-	-	2,672
12	Purchased Power	98,122	-	-	-	-	-	-	-	98,122
13	Repairs & Maintenance	30,231	-	(38,517)	-	-	-	-	-	30,231
14	Office Supplies & Expense	3,283	-	-	-	-	-	-	-	3,283
15	Contractual Services - Engineering	-	-	-	-	-	-	-	-	-
16	Contractual Services - Accounting	56,000	-	-	-	-	-	-	-	56,000
17	Contractual Services - Legal	32,485	-	-	-	-	-	-	-	32,485
18	Contractual Services - Other	220,686	-	-	(50,000)	-	-	-	-	170,686
19	Contractual Services - Water Testing	13,797	-	-	-	4,845	-	-	-	18,642
20	Transportation Expense	-	-	-	-	-	-	-	-	-
21	Insurance - General Liability	11,902	-	-	-	-	-	-	-	11,902
22	Insurance - Worker's Comp	-	-	-	-	-	-	-	-	-
23	Regulatory Commission Exp - Rate Case	5,000	-	-	-	-	-	-	-	5,000
24	Miscellaneous Expense	11,744	-	-	-	-	-	-	-	11,744
25	Depreciation Expense	203,130	-	-	-	-	(8,943)	-	-	194,187
26	Taxes Other than Income	3,115	-	-	-	-	-	-	-	3,115
27	Property Taxes	23,766	-	-	-	-	-	(9,449)	-	14,317
28	Income Tax	-	-	-	-	-	-	-	(133,460)	133,460
29	Total Operating Expenses	\$ 739,624	\$ -	\$ (38,517)	\$ (50,000)	\$ 4,845	\$ (8,943)	\$ (9,449)	\$ (133,460)	\$ 504,100
30										
31	Operating Income (Loss)	\$ (262,075)	\$ (189,600)	\$ 38,517	\$ 50,000	\$ (4,845)	\$ 8,943	\$ 9,449	\$ 133,460	\$ (216,151)

Red Rock Utilities L.L.C. - Wastewater Division
Docket No. WS-04245A-14-0295
Test Year Ended December 31, 2013

Plan A
Schedule CSB-12

OPERATING INCOME ADJUSTMENT NO. 1 - TEST YEAR REVENUES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Flat Rate Revenue	\$ 465,331	\$ (189,600)	\$ 275,731
2	Reclaimed Water Revenue:	12,218	-	12,218
3	Other Water Revenue	\$ 477,549	\$ (189,600)	\$ 287,949

References:

Column (A), Company Schedule C-1
Column (B): Testimony CSB
Column (C): Column (A) + Column (B)

Red Rock Utilities L.L.C. - Wastewater Division
Docket No. WS-04245A-14-0295
Test Year Ended December 31, 2013

Plan A
Schedule CSB-13

OPERATING INCOME ADJUSTMENT NO. 2 - PURCHASED POWER

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Purchased Power	\$ 98,122	\$ (38,517)	\$ 59,605
2		-	-	-
3	Total	\$ 98,122	\$ (38,517)	\$ 59,605

References:

Column (A), Company Schedule C-1
Column (B) Column (B): Testimony CSB
Column (C): Column (A) + Column (B)

Red Rock Utilities L.L.C. - Wastewater Division
Docket No. WS-04245A-14-0295
Test Year Ended December 31, 2013

Plan A
Schedule CSB-14

OPERATING INCOME ADJUSTMENT NO. 3 - CONTRACTUAL SERVICES OTHER

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Contractual Services, Other	\$ 220,686	\$ (50,000)	\$ 170,686
2		-	-	-
3	Total	\$ 220,686	\$ (50,000)	\$ 170,686

References:

Column (A), Company Schedule C-1
Column (B): Testimony CSB
Column (C): Column (A) + Column (B)

Red Rock Utilities L.L.C. - Wastewater Division
Docket No. WS-04245A-14-0295
Test Year Ended December 31, 2013

Plan A
Schedule CSB-15

OPERATING INCOME ADJUSTMENT NO. 4 - CONTRACT SERVICES, WATER TESTING

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Wastewater Testing	\$ 13,797	\$ 4,845	\$ 18,642
2	Total	-	-	-
3		\$ 13,797	\$ 4,845	\$ 18,642

References:

Column (A), Company Schedule C-1

Column (B): Testimony CSB

Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT No. 5 - DEPRECIATION EXPENSE

Line No.	Acct. No.	Description	Gross Utility Plant In Service	Non Depreciable and/or Fully Depreciated	Depreciable Plant	Depreciation Rate	Depreciation Expense
Plant In Service							
1	351	Organization Costs	\$ 11,983	\$ 11,983	\$ -	0.00%	\$ -
2	352	Franchise Costs	54,827	54,827	-	0.00%	-
3	353	Land & Land Rights	6,538	6,538	-	0.00%	-
4	354	Structures & Improvements	864,233	-	864,233	3.33%	28,779
5	355	Power Generation Equipment	31,432	-	31,432	5.00%	1,572
6	361	Collection Sewer Gravity	5,429,351	-	5,429,351	2.00%	108,587
7	362	Special Collecting Structures	-	-	-	2.00%	-
8	363	Customer Services	-	-	-	2.00%	-
9	364	Flow Measuring Devices	-	-	-	10.00%	-
10	366	Reuse Services	26,931	-	26,931	2.00%	539
11	367	Reuse Meters and Installation	-	-	-	8.33%	-
12	370	Receiving Wells	-	-	-	3.33%	-
13	371	Pumping Equipment	13,732	-	13,732	12.50%	1,716
14	374	Reuse Distribution Reservoirs	280,411	-	280,411	2.50%	7,010
15	375	Reuse Transmission and Distrib System	625,073	-	625,073	2.50%	15,627
16	380	Treatment and Disposal Equipment	590,411	-	590,411	5.00%	29,521
17	381	Plant Sewers	-	-	-	5.00%	-
18	382	Outfall Sewer Lines	-	-	-	3.33%	-
19	389	Other Sewer Plant and Equipment	-	-	-	6.67%	-
20	390	Office Furniture and Equipment	10,039	-	10,039	6.67%	670
21	390.1	Computers and Software	-	-	-	20.00%	-
22	391	Transportation Equipment	8,224	8,224	-	20.00%	-
23	392	Stores Equipment	-	-	-	4.00%	-
24	393	Tools, Shop and Garage Equipment	-	-	-	5.00%	-
25	394	Laboratory Equipment	790	-	790	10.00%	79
26	396	Communication Equipment	882	-	882	10.00%	88
27	398	Other Tangible Plant	-	-	-	10.00%	-
28							
29		Subtotal General	\$ 7,954,857	\$ 81,572	\$ 7,873,285		\$ 194,187
30							
31							
32		Composite Depreciation (Depr Exp / Depreciable Plant)					2.47%
33		Gross CIAC				\$ -	
34		Amortization of CIAC				\$ -	
35							
36		Depreciation Expense before Amortization of CIAC				\$ 194,187	
37		Amortization of CIAC				\$ -	
38		Test Year Depreciation Expense - Staff				\$ 194,187	
39		Test Year Depreciation Expense - Company				\$ 203,130	
		Staff's Adjustment				\$ (8,943)	

OPERATING INCOME ADJUSTMENT No. 6 - PROPERTY TAXES

LINE NO.	DESCRIPTION	[A]		[B]	
		STAFF		STAFF	
		AS ADJUSTED		RECOMMENDED	
1	Staff Adjusted Test Year Revenues	\$	287,949	\$	287,949
2	Weight Factor		2		2
3	Subtotal (Line 1 * Line 2)	\$	575,898	\$	575,898
4	Staff Recommended Revenue		287,949		643,467
5	Subtotal (Line 4 + Line 5)	\$	863,847	\$	1,219,365
6	Number of Years		3		3
7	Three Year Average (Line 5 / Line 6)	\$	287,949	\$	406,455
8	Department of Revenue Multiplier		2		2
9	Revenue Base Value (Line 7 * Line 8)	\$	575,898	\$	812,910
10	Plus: 10% of CWIP		-		-
11	Less: Net Book Value of Licensed Vehicles		1,411		1,411
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$	574,487	\$	811,499
13	Assessment Ratio		18.00%		18.00%
14	Assessment Value (Line 12 * Line 13)	\$	103,408	\$	146,070
15	Composite Property Tax Rate -		13.84490%		13.84490%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$	14,317		
17	Company Proposed Property Tax		23,766		
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$	(9,449)		
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)			\$	20,223
20	Staff Test Year Adjusted Property Tax Expense (Line 16)				14,317
21	Increase in Property Tax Due to Increase in Revenue Requirement			\$	5,907
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)			\$	5,907
23	Increase in Revenue Requirement			\$	355,518
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)				1.661388%

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Income Tax Expense	\$ -	\$ (133,460)	\$ (133,460)
2	Total	\$ -	\$ (133,460)	\$ (133,460)

References:

Column (A), Company Schedule C-1

Column (B): Testimony CSB

Column (C): Column (A) + Column (B)

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A]		[B]	
		COMPANY ORIGINAL COST		STAFF ORIGINAL COST	
1	Adjusted Rate Base	\$	936,312	\$	976,488
2	Adjusted Operating Income (Loss)	\$	(262,075)	\$	(216,151)
3	Current Rate of Return (L2 / L1)		-27.99%		-22.14%
4	Required Rate of Return		9.50%		9.50%
5	Required Operating Income (L4 * L1)	\$	88,950	\$	92,766
6	Operating Income Deficiency (L5 - L2)	\$	351,025	\$	308,917
7	Gross Revenue Conversion Factor		1.0169		1.5896
8	Required Revenue Increase (L7 * L6)	\$	356,957	\$	491,049
9	Adjusted Test Year Revenue	\$	477,549	\$	287,949
10	Proposed Annual Revenue (L8 + L9)	\$	834,505	\$	778,998
11	Required Increase in Revenue (%)		74.75%		170.53%

References:

Column [A]: Company Schedules A-1

Column [B]: Staff Schedules CSB-2, CSB-3, & CSB-11

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17) + Property Tax Factor (Line 22)	37.0904%			
5	Subtotal (L3 - L4)	62.9096%			
6	Revenue Conversion Factor (L1 / L5)	1.5896			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	36.0276%			
9	One Minus Combined Income Tax Rate (L7 - L8)	63.9724%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.5000%			
14	Federal Taxable Income (L12 - L13)	93.5000%			
15	Applicable Federal Income Tax Rate (Line 44)	31.5803%			
16	Effective Federal Income Tax Rate (L14 x L15)	29.5276%			
17	Combined Federal and State Income Tax Rate (L13 + L16)	36.0276%			
<u>Calculation of Effective Property Tax Factor</u>					
18	Unity	100.0000%			
19	Combined Federal and State Tax Rate (Line 17)	36.0276%			
20	One Minus Combined Income Tax Rate (L18 - L19)	63.9724%			
21	Property Tax Factor (CSB-15, L24)	1.6614%			
22	Effective Property Tax Factor (L21 * L22)	0.010628294			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		37.0904%		
24	Required Operating Income (Schedule CSB-1, Line 5)	\$ 92,766			
25	Adjusted Test Year Operating Income (Loss) (Schedule CSB-8, Line 40)	\$ (216,151)			
26	Required Increase in Operating Income (L24 - L25)		\$ 308,917		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	\$ 40,514			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	\$ (133,460)			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 173,974		
30	Recommended Revenue Requirement (Schedule CSB-1, Line 10)	\$ 778,998			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -			
33	Adjusted Test Year Uncollectible Expense	\$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		\$ -		
35	Property Tax with Recommended Revenue (CSB-15, L19)	\$ 22,475			
36	Property Tax on Test Year Revenue (CSB-15, L16)	\$ 14,317			
37	Increase in Property Tax Due to Increase in Revenue (CSB-15, L22)		\$ 8,158		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		\$ 491,049		
<u>Calculation of Income Tax:</u>					
39	Revenue (Schedule CSB-8)	\$ 287,949	\$ 491,050	\$ 778,999	
40	Operating Expenses Excluding Income Taxes	637,560	\$ 8,158	645,718	
41	Synchronized Interest (L47)	-		-	
42	Arizona Taxable Income (L36 - L37- L38)	\$ (349,611)		\$ 133,280	
43	Arizona State Income Tax Rate	6.5000%		6.5000%	
44	Arizona Income Tax (L39 x L40)				
45	Federal Taxable Income (L33 - L35)	\$ (326,886)	\$ (22,725)	\$ 124,617	\$ 8,663
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	(7,500)		7,500	
47	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	(6,250)		6,250	
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	(8,500)		8,500	
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	(88,486)		9,601	
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	-		-	
51	Total Federal Income Tax	\$ (110,736)		\$ 31,851	
52	Combined Federal and State Income Tax (L35 + L42)	\$ (133,460)		\$ 40,514	
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				31.58%
<u>Calculation of Interest Synchronization:</u>					
54	Rate Base (Schedule CSB-3, Col. [C], Line (17))	\$ 976,488			
55	Weighted Average Cost of Debt (Schedule CSB-1)	0.00%			
56	Synchronized Interest (L45 X L46)	\$ -			

RATE BASE - ORIGINAL COST/FAIR VALUE

LINE NO.	DESCRIPTION	[A]	[B]	ADJ. NO.	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS		STAFF AS ADJUSTED
1	Plant in Service	\$ 8,489,666	\$ (531,873)	1, 2	\$ 7,957,793
2	Less: Accumulated Depreciation	1,355,878	(49,414)	3	1,306,464
3	Net Plant in Service	<u>\$ 7,133,788</u>	<u>\$ (482,459)</u>		<u>\$ 6,651,329</u>
	<u>LESS:</u>				
4	Net Contribution in Aid-of Construction (CIAC)	\$ 522,635	\$ (522,635)		\$ -
5	Advances in Aid of Construction (AIAC)	5,674,841	-		5,674,841
8	Customer Deposits	-	-		-
9	Deferred Income Tax Credits	-	-		-
	Total Deductions	<u>\$ 6,197,476</u>	<u>\$ (522,635)</u>		<u>\$ 5,674,841</u>
	<u>ADD:</u>				
10	Unamortized Finance Charges	\$ -	\$ -		\$ -
11	Deferred Tax Assets	-	-		-
12	Allowance for Working Capital	-	-		-
13	Intentional Left Blank	-	-		-
	Total Additions	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>
14	Original Cost Rate Base	<u>\$ 936,312</u>	<u>\$ 40,176</u>		<u>\$ 976,488</u>

References:

Column (A), Company Schedule B-1
Column (B): Schedule CSB-4
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1 Not Used & Useful Plant	[C] ADJ #2 Non Plant Costs	[D] ADJ #3 Reclassified Plant	[E] ADJ #4 Accumulated Depreciation	[F] ADJ #5 CIAC & Amort of CIAC	[G] STAFF ADJUSTED
			Ref. Sch CSB-5	Ref. Sch CSB-6	Ref. Sch CSB-7	Ref. Sch CSB-8	Ref. Sch CSB-9		
1	351	Organization Costs	\$ 11,983	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,983
2	352	Franchise Costs	59,751	-	(4,924)	-	-	-	54,827
3	353	Land & Land Rights	6,538	-	-	-	-	-	6,538
4	354	Structures & Improvements	14,298	-	-	849,935	-	-	864,233
5	355	Power Generation Equipment	-	-	-	31,432	-	-	31,432
6	360	Collection Sewer Forced	-	-	-	-	-	-	-
7	361	Collection Sewer Gravity	-	-	-	-	-	-	-
8	362	Special Collecting Structures	5,978,394	(549,043)	-	-	-	-	5,429,351
9	363	Customer Services	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	-	-	-	-	-	-	-
11	366	Reuse Services	-	-	-	-	-	-	-
12	367	Reuse Meters and Installation	26,931	-	-	-	-	-	26,931
13	370	Receiving Wells	-	-	-	-	-	-	-
14	371	Pumping Equipment	-	-	-	13,732	-	-	13,732
15	374	Reuse Distribution Reservoirs	280,411	-	-	-	-	-	280,411
16	375	Reuse Transmission and Distrib Syste	625,073	-	-	-	-	-	625,073
17	380	Treatment and Disposal Equipment	1,467,234	-	-	(876,823)	-	-	590,411
18	381	Plant Sewers	-	-	-	-	-	-	-
19	382	Outfall Sewer Lines	-	-	-	-	-	-	-
20	389	Other Sewer Plant and Equipment	-	-	-	-	-	-	-
21	390	Office Furniture and Equipment	10,039	-	-	-	-	-	10,039
22	390.1	Computers and Software	-	-	-	-	-	-	-
23	391	Transportation Equipment	8,224	-	-	-	-	-	8,224
24	392	Stores Equipment	-	-	-	-	-	-	-
25	393	Tools, Shop and Garage Equipment	-	-	-	-	-	-	-
26	394	Laboratory Equipment	790	-	-	-	-	-	790
27	396	Communication Equipment	-	-	-	882	-	-	882
28	398	Other Tangible Plant	-	-	-	-	-	-	-
29		Reconciling Item Due to Excess Cap Alloca	-	-	-	2,936	-	-	2,936
32		Gross Utility Plant in Service	\$ 8,489,666	\$ (549,043)	\$ (4,924)	\$ 22,094	\$ -	\$ -	\$ 7,957,793
33		Less: Accumulated Depreciation	1,355,878	-	-	-	(49,414)	-	1,306,464
34		Net Utility Plant in Service (L29 - L30)	\$ 7,133,788	\$ (549,043)	\$ (4,924)	\$ 22,094	\$ 49,414	\$ -	\$ 6,651,329
35									
36		DEDUCTIONS							
37		Contributions in Aid of Construction (CIAC)	\$ 549,043	\$ -	\$ -	\$ -	\$ -	\$ (549,043)	\$ -
38		Less: Accumulated Amortization	26,408	-	-	-	-	(26,408)	-
39		Net CIAC (L32 - L33)	\$ 522,635	\$ -	\$ -	\$ -	\$ -	\$ (522,635)	\$ -
40		Advances in Aid of Construction (AIAC)	\$ 5,674,841	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,674,841
41		Customer Meter Deposits	-	-	-	-	-	-	-
42		Deferred Income Tax Credits	-	-	-	-	-	-	-
43		Total Deductions	\$ 6,197,476	\$ -	\$ -	\$ -	\$ -	\$ (522,635)	\$ 5,674,841
45		ADDITIONS:							
46		Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47		Deferred Tax Assets	-	-	-	-	-	-	-
48		Allowance for Working Capital	-	-	-	-	-	-	-
49		Intentional Left Blank	-	-	-	-	-	-	-
50		Total Additions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
51									
52		ORIGINAL COST RATE BASE	\$ 936,312	\$ (549,043)	\$ (4,924)	\$ 22,094	\$ 49,414	\$ 522,635	\$ 976,488

RATE BASE ADJUSTMENT NO. 1 - NOT USED AND USEFUL PLANT

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Acct No. 352 - Franchise Costs	\$ 59,751	\$ (4,924)	\$ 54,827
2	Acct No. 361 - Collection Sewer, Gravity	\$ 5,978,394	\$ (549,043)	\$ 5,429,351
3	Total	\$ 6,038,145	\$ (553,967)	\$ 5,484,178

References

Column A: Company Schedule B-2

Column B: Testimony, CSB

Column C: Column [A] + Column [B]

Red Rock Utilities L.L.C. - Wastewater Division
Docket No. WS-04245A-14-0295
Test Year Ended December 31, 2013

Plan B
Schedule CSB-6

RATE BASE ADJUSTMENT NO. 2 - NONPLANT COSTS

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Acct No. 352 - Franchise Costs	\$ 59,751	\$ (4,924)	\$ 54,827
2		\$ -	\$ -	\$ -
3	Total	\$ 59,751	\$ (4,924)	\$ 54,827

References

Column A: Company Schedule B-2
Column B: Testimony, CSB
Column C: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 3 - RECLASSIFIED PLANT

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Acct No. 354 - Structures and Improvements	\$ 14,298	\$ 849,935	\$ 864,233
2	Acct No. 355 - Power Generation Equipment	-	31,432	31,432
3	Acct No. 371 - Pumping Equipment	-	13,732	13,732
4	Acct No. 380 - Treatment and Disposal Equipment	1,467,234	(876,823)	590,411
5	Acct No. 394 - Laboratory Equipment	790	-	790
6	Acct No. 396 - Communication Equipment	-	882	882
7	Reconciling Item Due to Excess Capacity Allocatio	-	2,936	2,936
8	Total	\$ 1,482,322	\$ 22,094	\$ 1,504,416
9				
10				
11	Detail of Plant Reclassification Costs			
12	Account No.	Account Description	Amount	
13				
14				
15	304	Structures & Improvements	\$ 849,935	
16				
17	355	Power Generation Equipment	\$ 31,432	
18				
19	371	Pumping Equipment	\$ 49,042	
20		x 0.28 100%-72%(Excess Capacity Adj)		
21		\$ 13,732		
22				
23	380	Treatment and Disposal Equipment	\$ 22,094	Reclassified from Water Division
24	380	Treatment and Disposal Equipment	\$ (31,432)	
25	380	Treatment and Disposal Equipment	\$ (882)	
26	380	Treatment and Disposal Equipment	\$ -	
27	380	Treatment and Disposal Equipment	\$ (49,042)	
28	380	Treatment and Disposal Equipment	\$ (3,072,247)	
29		\$ (3,131,509)		
30		x 0.28 100%-72%(Excess Capacity Adj)		
31		\$ (876,823)		
32				
33	394	Laboratory Equipment	\$ -	
34				
35	344	Communication Equipment	\$ 882	
36				
37	Reconciling Item Due to Excess Capacity Allocatio	\$ 2,936		
38				
39		\$ 22,094		

References

Column A: Company Schedule B-2
Column B: Testimony, CSB
Column C: Column [A] + Column [B]

Red Rock Utilities L.L.C. - Wastewater Division
Docket No. WS-04245A-14-0295
Test Year Ended December 31, 2013

Plan B
Schedule CSB-8

RATE BASE ADJUSTMENT NO. 4 - ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Accumulated Depreciation	\$ 1,355,878	\$ -	\$ 1,355,878
2	Accum Depr Related to Not Used & Useful Plant	-	(49,414)	(49,414)
3		\$ 1,306,464	\$ (49,414)	\$ 1,306,464

REFERENCES:

Column [A]: Company Schedule B-2

Column [B]: Testimony, CSB; Data Request Response CSB 11.4

Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 4 - CIAC & AMORTIZATION OF CIAC

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	Contributions In Aid of Construction ("CIAC")	\$ 549,043	\$ (549,043)	\$ -
2	Amortization of CIAC	26,408	(26,408)	-
3		\$ -	\$ (575,451)	\$ -

REFERENCES:

Column [A]: Company Schedule B-2

Column [B]: Testimony, CSB; Data Request Response CSB 11.4

Column [C]: Column [A] + Column [B]

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	Adj No.	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	REVENUES:						
2	Flat Rate Revenue	\$ 465,331	\$ (189,600)	1	\$ 275,731	\$ 491,049	\$ 766,780
3	Reclaimed Water Revenues	12,218	-		12,218	-	12,218
4	Other Water Revenue	-	-		-	-	-
5	Total Operating Revenues	\$ 477,549	\$ (189,600)		\$ 287,949	\$ 491,049	\$ 778,998
6							
7	OPERATING EXPENSES:						
8	Salaries & Wages	\$ 15,223	\$ -		\$ 15,223	\$ -	\$ 15,223
9	Employee Pensions and Benefits	930	-		930	-	930
10	Sludge Removal	7,538	-		7,538	-	7,538
11	Purchased Water	2,672	-		2,672	-	2,672
12	Purchased Power	98,122	(38,517)	2	59,605	-	59,605
13	Repairs & Maintenance	30,231	-		30,231	-	30,231
14	Office Supplies & Expense	3,283	-		3,283	-	3,283
15	Contractual Services - Engineering	-	-		-	-	-
16	Contractual Services - Accounting	56,000	-		56,000	-	56,000
17	Contractual Services - Legal	32,485	-		32,485	-	32,485
18	Contractual Services - Other	220,686	(50,000)	3	170,686	-	170,686
19	Contractual Services - Water Testing	13,797	4,845	4	18,642	-	18,642
20	Transportation Expense	-	-		-	-	-
21	Insurance - General Liability	11,902	-		11,902	-	11,902
22	Insurance - Worker's Comp	-	-		-	-	-
23	Regulatory Commission Exp - Rate Case	5,000	-		5,000	-	5,000
24	Miscellaneous Expense	11,744	-		11,744	-	11,744
25	Depreciation Expense	203,130	(8,943)	5	194,187	-	194,187
26	Taxes Other than Income	3,115	-		3,115	-	3,115
27	Property Taxes	23,766	(9,449)	6	14,317	8,158	22,475
28	Income Tax	-	(133,460)	7	(133,460)	173,974	40,514
29							
30	Total Operating Expenses	\$ 739,624	\$ (235,524)		\$ 504,100	\$ 182,132	\$ 686,232
31							
32	Operating Income (Loss)	\$ (262,075)	\$ 45,924		\$ (216,151)	\$ 308,917	\$ 92,766

References:

Column (A): Company Schedule C-1
Column (B): Schedule CSB-9
Column (C): Column (A) + Column (B)
Column (D): Schedules CSB-1 and CSB-2
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1 Revenue Ref. Sch CSB-12	[C] ADJ #2 Purchased Power Ref. Sch CSB-13	[D] ADJ #3 Contract. Services Other Ref. Sch CSB-14	[E] ADJ #4 Contract. Services Water Testing Ref. Sch CSB-15	[F] ADJ #5 Depreciation Expense Ref. Sch CSB-16	[G] ADJ #6 Property Tax Ref. Sch CSB-17	[H] ADJ #7 Income Tax Ref. Sch CSB-18	[I] STAFF ADJUSTED
1	<u>REVENUES:</u>									
2	Fiat Rate Revenue	\$ 465,331	\$ (189,600)							\$ 275,731
3	Reclaimed Water Revenues	12,218	-							12,218
4	Other Water Revenue	-	-							-
5	Total Operating Revenues	\$ 477,549	\$ (189,600)							\$ 287,949
6										
7	<u>OPERATING EXPENSES:</u>									
8	Salaries & Wages	\$ 15,223	\$ -							\$ 15,223
9	Employee Pensions and Benefits	930	-							930
10	Sludge Removal	7,538	-							7,538
11	Purchased Water	2,672	-							2,672
12	Purchased Power	98,122	-	(38,517)						59,605
13	Repairs & Maintenance	30,231	-							30,231
14	Office Supplies & Expense	3,283	-							3,283
15	Contractual Services - Engineering	-	-							-
16	Contractual Services - Accounting	56,000	-							56,000
17	Contractual Services - Legal	32,485	-							32,485
18	Contractual Services - Other	220,686	-	(50,000)						170,686
19	Contractual Services - Water Testing	13,797	-		4,845					18,642
20	Transportation Expense	-	-							-
21	Insurance - General Liability	11,902	-							11,902
22	Insurance - Worker's Comp	-	-							-
23	Regulatory Commission Exp - Rate Case	5,000	-							5,000
24	Miscellaneous Expense	11,744	-							11,744
25	Depreciation Expense	203,130	-			(8,943)				194,187
26	Taxes Other than Income	3,115	-							3,115
27	Property Taxes	23,766	-					(9,449)		14,317
28	Income Tax	-	-						(133,460)	(133,460)
29	Total Operating Expenses	\$ 739,624	\$ -	\$ (38,517)	\$ (50,000)	\$ 4,845	\$ (8,943)	\$ (9,449)	\$ (133,460)	\$ 504,100
30										
31	Operating Income (Loss)	\$ (262,075)	\$ (189,600)	\$ 38,517	\$ 50,000	\$ (4,845)	\$ 8,943	\$ 9,449	\$ 133,460	\$ (216,151)

Red Rock Utilities L.L.C. - Wastewater Division
Docket No. WS-04245A-14-0295
Test Year Ended December 31, 2013

Plan B
Schedule CSB-12

OPERATING INCOME ADJUSTMENT NO. 1 - TEST YEAR REVENUES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Flat Rate Revenue	\$ 465,331	\$ (189,600)	\$ 275,731
2	Reclaimed Water Revenue:	12,218	-	12,218
3	Other Water Revenue	\$ 477,549	\$ (189,600)	\$ 287,949

References:

Column (A), Company Schedule C-1
Column (B): Testimony CSB
Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT NO. 2 - PURCHASED POWER

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Purchased Power	\$ 98,122	\$ (38,517)	\$ 59,605
2		-	-	-
3	Total	\$ 98,122	\$ (38,517)	\$ 59,605

References:

Column (A), Company Schedule C-1
Column (B) Column (B): Testimony CSB
Column (C): Column (A) + Column (B)

Red Rock Utilities L.L.C. - Wastewater Division
Docket No. WS-04245A-14-0295
Test Year Ended December 31, 2013

Plan B
Schedule CSB-14

OPERATING INCOME ADJUSTMENT NO. 3 - CONTRACTUAL SERVICES OTHER

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Contractual Services, Other	\$ 220,686	\$ (50,000)	\$ 170,686
2		-	-	-
3	Total	<u>\$ 220,686</u>	<u>\$ (50,000)</u>	<u>\$ 170,686</u>

References:

Column (A), Company Schedule C-1

Column (B): Testimony CSB

Column (C): Column (A) + Column (B)

Red Rock Utilities L.L.C. - Wastewater Division
Docket No. WS-04245A-14-0295
Test Year Ended December 31, 2013

Plan B
Schedule CSB-15

OPERATING INCOME ADJUSTMENT NO. 4 - CONTRACT SERVICES, WATER TESTING

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Wastewater Testing	\$ 13,797	\$ 4,845	\$ 18,642
2	Total	-	-	-
3		\$ 13,797	\$ 4,845	\$ 18,642

References:

Column (A), Company Schedule C-1
Column (B): Testimony CSB
Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT No. 5 - DEPRECIATION EXPENSE

[illegible]

OPERATING INCOME ADJUSTMENT No. 6 - PROPERTY TAXES

LINE NO.	DESCRIPTION	[A]		[B]	
		STAFF		STAFF	
		AS ADJUSTED		RECOMMENDED	
1	Staff Adjusted Test Year Revenues	\$	287,949	\$	287,949
2	Weight Factor		2		2
3	Subtotal (Line 1 * Line 2)	\$	575,898	\$	575,898
4	Staff Recommended Revenue		287,949		778,999
5	Subtotal (Line 4 + Line 5)	\$	863,847	\$	1,354,897
6	Number of Years		3		3
7	Three Year Average (Line 5 / Line 6)	\$	287,949	\$	451,632
8	Department of Revenue Multiplier		2		2
9	Revenue Base Value (Line 7 * Line 8)	\$	575,898	\$	903,264
10	Plus: 10% of CWIP		-		-
11	Less: Net Book Value of Licensed Vehicles		1,411		1,411
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$	574,487	\$	901,853
13	Assessment Ratio		18.00%		18.00%
14	Assessment Value (Line 12 * Line 13)	\$	103,408	\$	162,334
15	Composite Property Tax Rate -		13.84490%		13.84490%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$	14,317		
17	Company Proposed Property Tax		23,766		
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$	(9,449)		
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)			\$	22,475
20	Staff Test Year Adjusted Property Tax Expense (Line 16)				14,317
21	Increase in Property Tax Due to Increase in Revenue Requirement			\$	8,158
22	Increase in Property Tax Due to Increase in Revenue Requirement (Line 21)			\$	8,158
23	Increase in Revenue Requirement			\$	491,050
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)				1.661388%

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENT	[C] STAFF RECOMMENDED
1	Income Tax Expense	\$ -	\$ (133,460)	\$ (133,460)
2	Total	\$ -	\$ (133,460)	\$ (133,460)

References:

Column (A), Company Schedule C-1
Column (B): Testimony CSB
Column (C): Column (A) + Column (B)

\$ -

Golden Shores Water Company Cost of Capital Calculation
Capital Structure
And Weighted Average Cost of Capital
Staff Recommended and Company Proposed

[A]	[B]	[C]	[D]
Description	Weight (%)	Cost	Weighted Cost
Staff Recommended Structure			
Debt	0.0%	0.0%	0.0%
Common Equity	100.0%	9.4%	9.4%
Weighted Average Cost of Capital			9.4%
Company Proposed Structure			
Debt	0.00%	0.00%	0.00%
Common Equity	100.00%	9.50%	9.50%
Weighted Average Cost of Capital			9.50%

[D] : [B] x [C]

Supporting Schedules: CSB-2, CSB-3 and CSB-4.

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Golden Shores Water Company Cost of Capital Calculation

1 MSN Money and Value Line
2 Schedule CSB-8

Golden Shores Water Company Cost of Capital Calculation
Average Capital Structure of Sample Water Utilities

[A]	[B]	[C]	[D]
<u>Company</u>	<u>Debt</u>	<u>Common Equity</u>	<u>Total</u>
American States Water	40.8%	59.2%	100.0%
California Water	47.2%	52.8%	100.0%
Aqua America	52.0%	48.0%	100.0%
Connecticut Water	50.8%	49.2%	100.0%
Middlesex Water	45.9%	54.1%	100.0%
SJW Corp	54.7%	45.3%	100.0%
York Water	<u>44.2%</u>	<u>55.8%</u>	<u>100.0%</u>
 Average Sample Water Utilities	 47.9%	 52.1%	 100.0%
 Abra Water Co. - Actual Capital Structure	 0.0%	 100.0%	 100.0%

Source:

Sample Water Companies from Value Line

Golden Shores Water Company Cost of Capital Calculation
Growth in Earnings and Dividends
Sample Water Utilities

[A]	[B]	[C]	[D]	[E]
	Dividends Per Share 2003 to 2013	Dividends Per Share Projected	Earnings Per Share 2003 to 2013	Earnings Per Share Projected
<u>Company</u>	<u>DPS¹</u>	<u>DPS¹</u>	<u>EPS¹</u>	<u>EPS¹</u>
American States Water	5.6%	7.7%	15.2%	3.9%
California Water	1.3%	8.0%	4.9%	8.9%
Aqua America	7.6%	9.0%	9.7%	6.0%
Connecticut Water	1.7%	3.4%	3.7%	3.3%
Middlesex Water	1.5%	2.0%	5.4%	3.1%
SJW Corp	4.1%	5.2%	2.1%	8.7%
York Water	<u>4.1%</u>	<u>6.0%</u>	<u>4.8%</u>	<u>8.0%</u>
 Average Sample Water Utilities	 3.7%	 5.9%	 6.5%	 6.0%

1 Value Line

Golden Shores Water Company Cost of Capital Calculation
Sustainable Growth
Sample Water Utilities

[A]	[B]	[C]	[D]	[E]	[F]
<u>Company</u>	Retention Growth 2003 to 2013 <u>br</u>	Retention Growth Projected <u>br</u>	Stock Financing Growth <u>vs</u>	Sustainable Growth 2003 to 2013 <u>br + vs</u>	Sustainable Growth Projected <u>br + vs</u>
American States Water	4.1%	5.6%	1.9%	6.0%	7.5%
California Water	2.7%	3.8%	3.2%	5.9%	7.0%
Aqua America	4.2%	6.0%	1.9%	6.0%	7.9%
Connecticut Water	2.1%	3.5%	3.8%	5.8%	7.3%
Middlesex Water	1.3%	2.8%	3.1%	4.5%	5.9%
SJW Corp	3.2%	3.6%	1.1%	4.3%	4.7%
York Water	<u>2.2%</u>	<u>4.0%</u>	<u>4.6%</u>	<u>6.7%</u>	<u>8.6%</u>
Average Sample Water Utilities	2.8%	4.2%	2.8%	5.6%	7.0%

[B]: Value Line

[C]: Value Line

[D]: Value Line, MSN Money, and Form 10-Ks filed with the Securities and Exchange Commission (<http://www.sec.gov/>)

[E]: [B]+[D]

[F]: [C]+[D]

Golden Shores Water Company Cost of Capital Calculation
Selected Financial Data of Sample Water Utilities

[A]	[B]	[C]	[D]	[E]	[F]	[G]
<u>Company</u>	<u>Symbol</u>	<u>Spot Price</u> <u>7/2/2014</u>	<u>Book Value</u>	<u>Mkt To</u> <u>Book</u>	<u>Value Line</u> <u>Beta</u> <u>β</u>	<u>Raw</u> <u>Beta</u> <u>β_{raw}</u>
American States Water	AWR	40.40	12.63	3.2	0.70	0.52
California Water	CWT	25.15	12.20	2.1	0.70	0.52
Aqua America	WTR	27.74	8.50	3.3	0.70	0.52
Connecticut Water	CTWS	36.33	16.31	2.2	0.65	0.45
Middlesex Water	MSEX	22.20	12.03	1.8	0.70	0.52
SJW Corp	SJW	33.97	15.56	2.2	0.85	0.75
York Water	YORW	20.81	8.23	<u>2.5</u>	<u>0.65</u>	<u>0.45</u>
Average				2.5	0.71	0.53

[C]: Msn Money

[D]: Value Line

0.7167

[E]: [C] / [D]

[F]: Value Line

[G]: $(-0.35 + [F]) / 0.67$

Golden Shores Water Company Cost of Capital Calculation
Calculation of Expected Infinite Annual Growth in Dividends
Sample Water Utilities

[A]	[B]
<u>Description</u>	<u>g</u>
DPS Growth - Historical ¹	3.7%
DPS Growth - Projected ¹	5.9%
EPS Growth - Historical ¹	6.5%
EPS Growth - Projected ¹	6.0%
Sustainable Growth - Historical ²	5.6%
<u>Sustainable Growth - Projected²</u>	<u>7.0%</u>
Average	5.8%

¹ Schedule CSB-5² Schedule CSB-6

**Golden Shores Water Company Cost of Capital Calculation
Capitalization**

	<u>Interest Rate</u>	<u>Annual Interest</u>	<u>Amount outstanding as of 12/31/2013</u>	<u>Percentage of Capital Structure</u>
Long-Term Debt				
	0.000%	\$ -	\$ -	
	0.00%	\$ -	\$ -	
	0.0%	\$ -	\$ -	
	0.0%	\$ -	\$ -	
Long-Term Debt	0.0%	\$ -	\$ -	0.00%
Short-Term Debt		-		0.00%
Total Debt		\$ -	\$ -	0.00%
Common Equity			\$ 4,378,460	
Common Shares Outstanding			-	
Paid in Capital			-	
Retained Earnings			-	
Total Common Equity			\$ 4,378,460	100.00%
Total Capitalization			\$ 4,378,460	100.00%

BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH

Chairman

BOB STUMP

Commissioner

BOB BURNS

Commissioner

DOUG LITTLE

Commissioner

TOM FORESE

Commissioner

IN THE MATTER OF THE APPLICATION OF)
RED ROCK UTILITIES, LLC, AN ARIZONA)
LIMITED LIABILITY COMPANY, FOR A)
DETERMINATION OF THE FAIR VALUE OF)
ITS UTILITY PLANT AND PROPERTY AND)
FOR INCREASES IN ITS WATER AND)
WASTEWATER RATES AND CHARGES)
FOR UTILITY SERVICE BASED THEREON)
_____)

DOCKET NO. WS-04245A-14-0295

DIRECT

TESTIMONY

OF

DOROTHY HAINS, P. E.

UTILITIES ENGINEER

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

FEBRUARY 25, 2015

TABLE OF CONTENTS

	Page
INTRODUCTION	1
PURPOSE OF TESTIMONY	2
ENGINEERING REPORT.....	3
Red Rock - W	3
Red Rock - WW	4
CONCLUSIONS AND RECOMMENDATIONS	5

EXHIBITS

Engineering Report for Red Rock Utilities, LLC Water Division	DMH-1
Engineering Report for Red Rock Utilities, LLC Wastewater Division	DMH-2

1 **INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Dorothy Hains. My business address is 1200 West Washington Street, Phoenix,
4 Arizona 85007.

5
6 **Q. By whom and in what position are you employed?**

7 A. I am employed by the Arizona Corporation Commission ("Commission" or "ACC") as a
8 Utilities Engineer - Water/Wastewater in the Utilities Division.

9
10 **Q. How long have you been employed by the Commission?**

11 A. I have been employed by the Commission since January 1998.

12
13 **Q. What are your responsibilities as a Utilities Engineer - Water/Wastewater?**

14 A. My main responsibilities are to inspect, investigate and evaluate water and wastewater
15 systems. This includes obtaining data, preparing reconstruction cost new and/or original cost
16 studies, investigative reports, interpreting rules and regulations, and to suggest corrective
17 action and provide technical recommendations on water and wastewater system deficiencies.
18 I also provide written and oral testimony in rate cases and other cases before the
19 Commission.

20
21 **Q. How many companies have you analyzed for the Utilities Division?**

22 A. I have analyzed more than 90 companies fulfilling these various responsibilities for
23 Commission Utilities Division Staff ("Staff").

24
25 **Q. Have you previously testified before this Commission?**

26 A. Yes, I have testified on numerous occasions before this Commission.

1 **Q. What is your educational background?**

2 A. I graduated from the University of Alabama in Birmingham in 1987 with a Bachelor of
3 Science degree in Civil Engineering.

4
5 **Q. Briefly describe your pertinent work experience.**

6 A. Before my employment with the Commission, I was an Environmental Engineer for the
7 Arizona Department of Environmental Quality ("ADEQ") for ten years. Prior to that time, I
8 was an Engineering Technician with C. F. Hains, Hydrology in Northport, Alabama for
9 approximately five years.

10
11 **Q. Please state your professional membership, registrations, and licenses.**

12 A. I have been a registered Civil Engineer in Arizona since 1990. I am a member of the
13 American Society of Civil Engineering, American Water Works Association and Arizona
14 Water Association.

15
16 **PURPOSE OF TESTIMONY**

17 **Q. What was your assignment in this rate proceeding?**

18 A. My assignment was to provide Staff's engineering evaluations for the subject Red Rock
19 Utilities, LLC ("Red Rock") rate proceedings for its Water Division ("Red Rock - W") and
20 for its Wastewater Division ("Red Rock - WW").

21
22 **Q. What is the purpose of your testimony in this proceeding?**

23 A. To present the findings of Staff's engineering evaluation of the operations for Red Rock - W
24 and Red Rock - WW. The findings are contained in the Engineering Reports that I have
25 prepared for this proceeding. The reports are included as Exhibits DMH-1 and DMH-2 in
26 this pre-filed testimony.

1 **ENGINEERING REPORT**

2 *Red Rock - W*

3 **Q. Would you briefly describe what was involved in preparing your Engineering Report**
4 **for this rate proceeding?**

5 A. After reviewing the application, I physically inspected the Red Rock water system to evaluate
6 the operation and to determine if any plant items were not used and useful. I contacted the
7 Arizona Department of Environmental Quality ("ADEQ") to determine if the water system
8 was in compliance with the Safe Drinking Water. I also contacted the Arizona Department
9 of Water Resources ("ADWR") to determine if the water systems were in compliance with
10 ADWR's requirements governing water providers and/or community water systems. After I
11 obtained information from Red Rock regarding water plant improvements, permits, chemical
12 testing expenses, water usage data and tariff modifications, I analyzed that information.
13 Based on all the above, I prepared the attached Engineering Report for Red Rock - W.

14
15 **Q. Please describe the information contained in your Engineering Report for Red Rock -**
16 **W.**

17 A. The Report is divided into three general sections: 1) *Executive Summary*, 2) *Engineering Report*
18 *Discussion*, and 3) *Engineering Report Exhibits*. *The Engineering Report Discussion* can be further
19 divided into eleven subsections: A) Purpose of Report; B) Location of the Company; C)
20 Description of System; D) Water Usage; E) Growth Projection; F) ADEQ Compliance; G)
21 ADWR Compliance; H) ACC compliance; I) Water Testing Expenses; J) Depreciation Rates;
22 and (K) Other Issues. These subsections provide information about the water systems
23 serving Red Rock - W.

24

1 *Red Rock - WW*

2 **Q. Would you briefly describe what was involved in preparing your Engineering Report**
3 **for this rate proceeding?**

4 A. After reviewing the application, I physically inspected the Red Rock wastewater system to
5 evaluate their operation and to determine if any plant items were not used and useful. I
6 contacted ADEQ to determine if the wastewater system was in compliance with the
7 monitoring and reporting requirements for the Aquifer Protection Permit, Reuse Permits and
8 Arizona Pollutant Discharge Elimination System Permit. After I obtained information from
9 Red Rock regarding wastewater plant improvements, permits, chemical testing expenses,
10 inflow/effluent discharge flow data, tariff modifications and post- test year construction, I
11 analyzed that information. Based on all the above, I prepared the attached Engineering
12 Report for Red Rock - WW.

13
14 **Q. Please describe the information contained in your Engineering Report for Red Rock -**
15 **WW.**

16 A. The Report is divided into three general sections: 1) *Executive Summary*, 2) *Engineering Report*
17 *Discussion*, and 3) *Engineering Report Exhibits*. The *Engineering Report Discussion* can be further
18 divided into eleven subsections: A) Purpose of Report; B) Location of the Red Rock - WW;
19 C) Description of System; D) Wastewater Flow; E) Growth Projection; F) ADEQ
20 Compliance; G) ACC compliance; H) Wastewater Testing Expenses; I) Depreciation Rates;
21 and J) Other Issues. These subsections provide information about the wastewater system
22 serving Red Rock - WW.

23

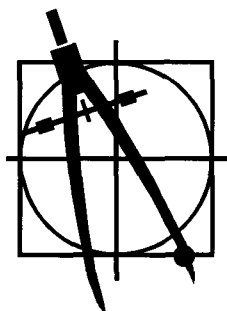
1 **CONCLUSIONS AND RECOMMENDATIONS**

2 **Q. What are Staff's conclusions and recommendations regarding the operations of the**
3 **water and wastewater systems?**

4 A. Staff's conclusions and recommendations for the water and wastewater systems are contained
5 in the Executive Summary of the respective engineering report.

6
7 **Q. Does this conclude your direct testimony?**

8 A. Yes, it does.



Engineering Report
Red Rock Utilities, LLC - Water
Division
Prepared By
Dorothy Hains, P. E.
Docket Nos. WS-04245A-14-0295
(Rates)

February 25, 2015

EXECUTIVE SUMMARY

Recommendations:

1. Arizona Corporation Commission ("ACC" or "Commission") Utilities Division Staff ("Staff") recommends estimated annual water testing costs of \$2,618 for Red Rock Utilities, LLC – Water Division ("Red Rock - W" or "Company"). (See §I and Table 4 for discussion and details.)
2. Staff recommends the depreciation rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category, as delineated in Figure 6. (See §J and Figure 6 for a discussion and a tabulation of the recommended rates.)
3. Staff recommends approval of the meter and service line installation charges listed under the columns labeled "Staff Recommendation" in Table 5. (See §K of report for discussion and details.)
4. Staff recommends that the plant items listed in Tables 7A-7E be reclassified for accounting purposes as indicated. (See §K for discussion and details.)
5. The Company has agreed to implement the five Best Management Practice ("BMP") tariffs included in the attachment labeled Figure 7. The Company filed five BMPs include (1) BMP 1.1 (Local and/or Regional Messaging Program Tariff), (2) BMP 2.3 (New Homeowner Landscape Information Tariff); (3) BMP 3.8 (Water Waste Investigations and Information Tariff); (4) BMP 5.2 (Water System Tampering Tariff); and (5) BMP 5.13 (Water Use Plan for New Non-residential User). Staff recommends approval of the five BMP Tariffs, attached hereto as Figure 7.

Staff further recommends that the Company notify its customers, in a form acceptable to Staff, of the BMP Tariffs approved by the Commission and their effective date by means of either an insert in the next regularly scheduled billing or by a separate mailing and shall provide copies of the BMP Tariffs to any customer upon request. Staff will file a letter in the Docket confirming that the Company's tariffs have been updated with the tariffs approved by the Commission. The tariffs shall go into effect 30 days after the date notice is sent to customers. (See §K for discussion and details.)

6. Staff recommends that plant listed on Table 8, which totals \$958,970, be considered "Not Used and Useful". (See §K of report for discussion and details.)

Conclusions:

1. A check of the Commission's Compliance Section database dated November 26, 2014, indicated that Red Rock - W had no ACC delinquent compliance items. (See §H of report for discussion and details.)
2. Red Rock - W is in the Arizona Department of Water Resources ("ADWR") Pinal Active Management Area. Staff received a Compliance Status Report from ADWR for Red Rock - W on August 19, 2014. In its report, ADWR stated that the Company is compliant with departmental requirements governing water providers and/or community water systems. (See §G of report for discussion and details.)
3. In a Compliance Status Report dated October 3, 2014, Arizona Department of Environmental Quality ("ADEQ") reported that Red Rock - W had no major deficiencies and was delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4. (See §F of report for discussion and details.)
4. Red Rock - W has approved cross connection and curtailment tariffs on file with the Commission. (See §K of report for discussion and details.)
5. Red Rock -W has adequate production and storage capacities to support its existing customer base and reasonable growth. (See §C of report for discussion and details.)
6. Red Rock -W had 4.03 percent water loss during the test year which is within the allowable limit of 10 percent. (See §F report for discussion and details.)
7. Staff concludes based on its field inspection that the plant related costs for mains on Sasco Road, ion exchange treatment plant and land in Verano System are not used and useful.

TABLE OF CONTENTS

	Page
A. PURPOSE OF REPORT.....	1
B. LOCATION OF THE COMPANY	1
C. DESCRIPTION OF SYSTEM	1
I. <i>System Description</i>	1
II. <i>System Analysis</i>	3
D. WATER USAGE.....	3
I. <i>Water Sold</i>	4
II. <i>Non-account Water</i>	4
E. GROWTH PROJECTION	4
F. ADEQ COMPLIANCE	5
G. ARIZONA DEPARTMENT OF WATER RESOURCES (“ADWR”) COMPLIANCE.....	5
H. ACC COMPLIANCE	5
I. WATER TESTING EXPENSES.....	5
J. DEPRECIATION RATES	7
K. OTHER ISSUES	7
I. <i>Service Line and Meter Installation Charges</i>	7
IV. <i>Curtailment Tariff</i>	15
V. <i>Cross Connection & Backflow Prevention Tariff</i>	15
VI. <i>Best Management Practices (“BMPs”) Tariff</i>	15
VII. <i>Adjustments to Account for Excess Capacity or Plant Determined “Not Used and Useful”</i>	16

FIGURES

Figure 1A: Red Rock Water Certificate Service Area in Pinal County	17
Figure 1B: Red Rock Water Certificate Service Area in Pima County	18
Figure 2A: Location of Red Rock Water Service Area in Pinal County.....	19
Figure 2B: Location of Red Rock Water Service Area in Pima County.....	20
Figure 3: Systematic Drawing	21
Figure 4: Water Usage in Red Rock Water Service Area.....	22
Figure 5: Actual and Projected Growth in Red Rock Water Service Area	23
Figure 6: Depreciation Rates.....	24
Figure 7: Five Best Management Practices (“BMP”) Tariffs for Red Rock - Water.....	25

A. PURPOSE OF REPORT

This report was prepared in response to the application filed by Red Rock Utilities, LLC – Water Division (“Red Rock -W” or “Company”) with the Arizona Corporation Commission (“ACC” or “the Commission”) to increase its water rates. The ACC Utilities Division Staff (“Staff”) engineering review and analysis of the subject application is presented in this report.

An inspection of the Company’s water system was conducted by Dorothy Hains, Staff Engineer, accompanied by Company Representatives, Christopher Hill (Operator), Mark Weinberg (General Manager) and Robert Tucker (Engineer) on November 17, 2014.

B. LOCATION OF THE COMPANY

Red Rock – W has two separate water systems, Red Rock System and Verano System.

The Red Rock System is located north of the City of Marana and provides water service to Red Rock, non-incorporated communities in south-central Pinal County. Figure 1A describes the Certificate of Convenience and Necessity (“CC&N”) area of Red Rock System. Figure 2A describes the location of Red Rock System relative to other regulated water utilities serving in the area. The CC&N area contains approximate two and a half square-miles including portions of Sections 13, 14 and 24 in Township 16 South (“T16S”) and Range 22 East (“R22E”) and Sections 4, 5, 8, 9, and 10 in T10S and R10E.

Verano System is located east of Rita Ranch and south of Tucson’s Davis-Monthan Air Force Base in Pima County. Figure 1B describes the CC&N area of Verano System in Pima County. Figure 2B describes the location of Verano System relative to other regulated water utilities serving in the area. The CC&N area contains approximately five square miles and includes Sections 10, 12, 13, 14 and 15 in T16S and R22 E.

C. DESCRIPTION OF SYSTEM

I. System Description

1. Red Rock System

The Red Rock system is regulated under Arizona Department of Environmental Quality (“ADEQ”) Public Water System (“PWS”) No. 11-160. It was installed in 2007; it contains two wells, a one million gallon storage tank, one ion exchange treatment plant for nitrate removal (“ion exchange plant”), a booster pump station and a distribution system to serve approximately 644 customers during the test year ending December 2013. The ion exchange plant has not been in service since 2012. The Company is blending water from Well No. 1 which has a nitrate level as high as 12 mg/l and Well No. 2 that has nitrate level below 2 mg/l, the nitrate level in the distribution system is below the maximum contaminant level of 10 mg/l. Therefore, the Company is not reliant on the ion exchange plant for service. A radio telemetry system was installed to communicate and control operation of the system. A detailed plant facility description is as follows:

Table 1 Red Rock - W Plant Facility (PWS No. 11-160)

Active Drinking Water Wells

ADWR No.	Well No.	Year Drilled	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)	Location
55-599557	2	2003	16	900	6	75	750	Homestead Rd (lot cross street from 21206 E Homestead Rd in Red Rock
55-599556	1	2003	16	900	6	75	800	20794 Sasco Rd (south of Red Rock Elementary School) in Red Rock

Active Storage, Pumping

Location	Structure or equipment	Capacity
In WTP No.1 Site (20794 Sasco Rd (south of Red Rock Elementary School)	Pressure Tank	One 5,000 gallon tank
	Storage Tank	One 1 MG steel tank (16' deep)
	Booster pump station	Two 50-HP One 20-HP (replaced in 2013) One 7.5-HP one 10" meter
In Well No. 2 Site (lot cross street from 21206 E Homestead Rd)	Pressure tank (surge tank)	One 5,000 gallon tank

Distribution Mains in Red Rock - Water CC&N Area

Diameter (inches)	Material	Length (feet)
6	Polyvinyl chloride (PVC) C900	142
8	PVC C900	28,247
12	PVC C900	12,980
6	Ductile Iron Pipe ("DIP")	2,130
12	DIP	735

Meters in Red Rock - Water CC&N Area

Size (inches)	Quantity
$\frac{5}{8} \times \frac{3}{4}$	635
$\frac{3}{4}$	0
1	4
$1\frac{1}{2}$	1
2	4
3	0
4	0
8	0

Ion Exchange Plant (inactive)

Location	Sources	Equipment	Capacity
20794 Sasco Rd (south of Red Rock Elementary School)	Well No.1 Site	Four 2,000 gallon ion exchange vessels	0.544 MGD (Total treatment capacity, 378 GPM) & 100 GPM/vessel
		One filter vessel, it functions as sand filter)	50 gallon
		One brine holding tank	6,000 gallon vessel
		Three backwashing water holding tanks	6,000 gallon vessel/unit
		One Nitratex unit	N/A

2. Verano System

The Company drilled two well holes in 2007. These wells have not been developed yet, and no service has been requested, i.e., there are no customers. Therefore, ADEQ has not assigned a PWS Number to the Verano System.

II. System Analysis

The Red Rock System has a total source capacity of 1,550 gallons per minute ("GPM") and storage capacity of one million gallons ("MG") that are adequate to serve the present customer base and reasonable growth.

D. WATER USAGE

Table 2 summarizes water usage in the Red Rock's water CC&N area. Figure 3 is a graph that shows water consumption data in gallons per day ("GPD") per customer for the Red Rock water system for the test year period of January 2013 through December 2013.

Table 2 Water Usage in Red Rock Water CC&N Area

Month	Number of Customers	Monthly Water Sold (in gallons)	Water pumped (in gallons)	Water purchased (in gallons)	Daily Average (in GPD/customer)
Jan 13	609	2,778,000	3,161,000	0	147
Feb 13	609	3,070,000	2,627,000	0	180
Mar 13	612	2,671,000	4,196,000	0	141
Apr 13	612	3,624,000	4,092,000	0	197
May 13	621	6,060,000	6,680,000	0	315
Jun 13	626	4,911,000	6,276,000	0	262
Jul 13	628	7,155,000	5,632,000	0	368
Aug 13	634	4,775,000	5,803,000	0	243
Sep 13	641	5,685,000	4,773,000	0	296
Oct 13	644	4,092,000	4,883,000	0	205
Nov 13	644	4,823,000	3,596,000	0	250
Dec 13	644	3,004,000	3,137,000	0	150
total		52,648,000	54,856,000	0	
Average					229

I. Water Sold

Based on information provided by the Company, the calculated highest use is 368 GPD per customer in July and the lowest is 147 GPD per customer in January. The average water usage was 229 GPD per customer.

II. Non-account Water

Non-account water should be 10 percent or less. The Company reported 52,648,000 gallons sold and 54,856,000 gallons pumped, resulting in a water loss of 4.03 percent. This 4.03 percent is within the acceptable limit of 10 percent.

E. GROWTH PROJECTION

Figure 4 depicts the customer growth using linear regression analysis. The numbers of service connections was obtained from annual reports submitted to the Commission. At the end of the test year December 2013, the Company had 644 customers and it is projected that this system could have approximately 801 customers by December 2018. The following table summarizes Staff's projected growth.

Table 3 Actual and Projected Growth in Red Rock Water Service Area

Year	Nos. of Customers	
2005	0	Reported
2006	2	Reported
2007	286	Estimated
2008	424	Reported
2009	525	Reported
2010	548	Reported
2011	573	Reported
2012	606	Reported
2013	644	Reported
2014	673	Estimated
2015	705	Estimated
2016	737	Estimated
2017	769	Estimated
2018	801	Estimated

F. ADEQ COMPLIANCE

In an ADEQ Compliance Status Report dated October 3, 2014, ADEQ reported that the Company's water system, PWS No. 11-160, had no major deficiencies and is delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4.)

G. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

Red Rock System (PWS No. 11-160) is in the Pinal Active Management Area. Staff received a Compliance Status Report from ADWR for the Red Rock System on August 19, 2014. In its report, ADWR reported that Red Rock System is compliant with departmental requirements governing water providers and/or community water systems.

The Verano System is a Type II water rights holder. No ADWR requirements governing water providers and/or community water system is required yet.

H. ACC COMPLIANCE

A check of the Commission's Compliance Section database dated November 26, 2014, indicated that the Company had no ACC delinquent compliance items.

I. WATER TESTING EXPENSES

The Company reported its water testing expense at \$1,378 for the test year. Staff used the ADEQ Monitoring Assistance Program ("MAP") to develop its testing costs based on the following assumptions:

1. MAP will do baseline testing on everything except copper, lead, bacteria, and

- disinfection by-products.
2. The estimated water testing expenses represent a minimum cost based on no “hits” other than lead and copper, and assume compositing of well samples. If any constituents are found, then the testing costs could dramatically increase. ADEQ testing is performed in 3-year compliance cycles. Therefore, monitoring costs are estimated for a 3-year compliance period and then presented on an annualized basis.
 3. MAP fees were based on the ADEQ MAP invoice for calendar year 2013.
 4. All monitoring expenses are based on Staff's best knowledge of lab costs and methodology and one point of entry.

Table 4 shows Staff's estimated annual monitoring expense.

Table 4 Water Testing Cost (Red Rock Water - PWS No. 11-160)

Monitoring – 2 wells & 1 POEDs (Tests per 3 years, unless noted.)	Cost per test	No. of tests per three year period	Total cost per three year period	Annual Cost
Bacteriological – monthly	\$20	72	\$1,440	\$480
Inorganics – Priority Pollutants	\$300	MAP	MAP	MAP
Radiochemical – (1/ 4 yr)	\$60	MAP	MAP	MAP
Phase II and V:				
IOC's, SOC's, VOC's	\$2,805	MAP	MAP	MAP
Nitrites	\$25	MAP	MAP	MAP
Nitrates – annual	\$25	MAP	MAP	MAP
Asbestos – per 9 years	\$180	2⅓	MAP	MAP
Lead & Copper – annual*	\$40	10	\$400	\$133.33
TTHM/HHAs ¹	\$265	3	\$795	\$265
Maximum chlorine residual levels	\$0	72	\$0	\$0
MAP Fee				\$1,740
Total				\$2,618.33

Note: Turner Lab charges \$110/unit for testing TTHM and \$155/unit for testing HHAs.

Water testing expenses should be adjusted to Staff's recommended annual expense amount shown in Table 4 which totals \$2,618.

J. DEPRECIATION RATES

Staff has developed typical and customary depreciation rates within the range of anticipated equipment life. These rates are presented in Figure 6, and should be used to calculate the annual depreciation expense for the Company. Staff recommends that the depreciation rates by individual National Association of Regulatory Utility Commissioners (“NARUC”) category, as delineated in Figure 6 be used.

K. OTHER ISSUES

I. Service Line and Meter Installation Charges¹

The Company did not request to modify its existing Service Line and Meter Installation Charges. Since the Company may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Using the Company’s current composite rates Staff developed separate service line and meter installation charges. Staff recommends approval of the meter and service line installation charges listed under the columns labeled “Staff Recommendation” in Table 5.

Table 5 Service Line and Meter Installation Charges (Red Rock -W)

Meter Size	Current Total Meter & Service Line Installation Charges	Proposed Total Installation Charge	Staff Recommended (Service Line installation charge)	Staff Recommended (Meter installation charge)	Staff Recommended total charges
5/8 x 3/4-inch	\$400	\$400	\$355	\$45	\$400
3/4-inch	\$400	\$440	\$355	\$85	\$440
1-inch	\$500	\$500	\$405	\$95	\$500
1½-inch	\$715	\$715	\$440	\$275	\$715
2-inch (Turbine)	\$1,170	\$1,170	\$600	\$570	\$1,170
2-inch (Compound)	\$1,700	\$1,700	\$600	\$1,100	\$1,700
3-inch (Turbine)	\$1,584	\$1,585	\$775	\$810	\$1,585
3-inch (Compound)	\$2,190	\$2,190	\$815	\$1,375	\$2,190
4-inch (Turbine)	\$2,540	\$2,540	\$1,110	\$1,430	\$2,540
4-inch (Compound)	\$3,215	\$3,215	\$1,170	\$2,045	\$3,215
6-inch (Turbine)	\$4,815	\$4,815	\$1,670	\$3,145	\$4,815
6-inch (Compound)	\$6,270	\$6,270	\$1,710	\$4,560	\$6,270
Over 6-inch	N/A	N/A	At Cost	At Cost	At Cost

¹ Service line and meter installation charges are refundable advances.

II. Plant Not in Use

A. East Sasco Road

Based on its field inspection, no customers live on East Sasco Road. Staff concludes that the plant related costs for mains, service connections, meters and fire hydrants along East Sasco Road are for future use. Therefore, \$366,491.8² of plant items is not used and useful at present time. Tables 6A–6C below further identifies Staff's adjustments.

Costs for installation of 4,969 feet of 8 inch PVC, ten fire hydrants and service connections should be removed from Transmission & Distribution Mains Account (Acct #331):

i. 4,969' of 8" PVC lines

Table 6A. 4,969' of 8" PVC lines

Acct #	date	description	Amount (\$)	Vendor	Invoice #
331	n/a	Village II (Red Rock Rd/ Sasco Rd)	167,703.75	n/a	Based on the Response to 11-25-14 e-mail
	n/a	Village II (Red Rock Rd/ Sasco Rd)	25,200	n/a	Based on the Response to 11-25-14 e-mail
	n/a	Village II (Red Rock Rd/ Sasco Rd)	8,550	n/a	Based on the Response to 11-25-14 e-mail
	n/a	Village II (Red Rock Rd/ Sasco Rd)	4,360	n/a	Based on the Response to 11-25-14 e-mail
331		Total	205,813.8		

ii. Ten fire hydrants

Table 6B. Ten fire hydrants

Acct #	date	description	Amount (\$)	Vendor	Invoice #
	n/a	Village II (Red Rock Rd/ Sasco Rd)	33,150	n/a	Based on the Response to 11-25-14 e-mail
331		Total	33,150		

² Per November 25, 2014 Company e-mail response to Staff informal data request.

- i. Services (Including Sixty three 1-inch double services, forty one 1" single services, and two 1" irrigation service and two connections)

Table 6C Services

Acct #	date	description	Amount (\$)	Vendor	Invoice #
	n/a	Village II (Red Rock Rd/ Sasco Rd)	78,813	n/a	Based on the Response to 11-25-14 e-mail
	n/a	Village II (Red Rock Rd/ Sasco Rd)	38,335	n/a	Based on the Response to 11-25-14 e-mail
	n/a	Village II (Red Rock Rd/ Sasco Rd)	6,820	n/a	Based on the Response to 11-25-14 e-mail
	n/a	Village II (Red Rock Rd/ Sasco Rd)	3,560	n/a	Based on the Response to 11-25-14 e-mail
331		Total	127,528		

B. Ion Exchange Treatment Plant

The ion exchange plant has not been in service since 2012. The Company is blending water from Well No. 1 and Well No. 2, which has kept the nitrate level in the distribution system below the maximum contaminant level of 10 mg/l. Therefore, the Company is not reliant on the ion exchange plant for service at the present time. Staff concludes that the ion exchange plant is not used and useful for purposes of this application. The unadjusted book value of this plant is \$573,066 (see Figure 8)

C. Land in Verano System

There are no operating plant items in the Verano System and no customers are served at this time. Therefore, the plant items listed in Table 6D Land and Land Right Account (Acct #303) are not used and useful to the Company's provision of service for purposes of this application.

Table 6D Land in Verano System

Acct #	date	description	Amount (\$)	Vendor	Invoice #
101303	12/31/05	Well No. 3 (Verano)	2,326.16		Based on the Response to DR #DH-5.1
101303	12/31/05	Well No. 4 (Verano)	2,368.08		Based on the Response to DR #DH-5.1
		Total	4,694.24		

II. Reclassification

- Staff recommends the plant items be reclassified as reflected in Tables 7A-7E:

Table 7A

date	Amounts (\$)	Vender	Invoice #	Reasons	Listed in Company reported Account No.	Recommended Reclassification Account No.
4-21-06	20,300	Smyth's Steel Manufacturing	1490	For installation of a 5,000 gallon pressure tank in Well #1 Site.	330.1 (storage tank)	
4-21-06	2,650	Smyth's Steel Manufacturing	1490	Installation for a 3-HP air compressor in Well #1 Site.		
7-20-06	56,880	Smyth's Steel Manufacturing	1555	Electrical work in Well #2 Site		
8-17-06	20,120	Smyth's Steel Manufacturing	1587	Electrical work in Well #2 Site		
9-18-06	45,500	Smyth's Steel Manufacturing	1608	Electrical work in Well #1 Site		
9-18-06	8,280	Smyth's Steel Manufacturing	1612	For installation of a 5,000 gallon pressure tank in Well #2 Site.		
9-18-06	2,800	Smyth's Steel Manufacturing	1612	Installation for a 3-HP air compressor in Well #2 Site.		
11-21-06	7,250	Smyth's Steel Manufacturing	1672	For installation of a 5,000 gallon pressure tank in Well #1 Site.		
11-21-	32,500	Smyth's Steel	1672	Installation electric		

Red Rock Utilities, LLC – Water Division

Docket No. WS-04245A-14-0295 (rates)

Page 11

06		Manufacturing		/control equipment in Well #1 Site.		
12-20-06	4,140	Smyth's Steel Manufacturing	1674	For installation of a 5,000 gallon pressure tank in Well #2 Site.		
1-23-07	6,500	Smyth's Steel Manufacturing	1810	Installation electric /control equipment in Well #1 Site.		
2-20-07	2,650	Smyth's Steel Manufacturing	1837	Installation for a 3-HP air compressor in Well #1 Site.		
2-20-07	19,140	Smyth's Steel Manufacturing	1840	Installation electric /control equipment in Well #2Site.		
Total	\$228,710				330.1	Pressure Tank Account (NARUC Acct #330.2).
4-28-06	2,500	RBF Consulting	6030757	For alignment, grading @ well sites.		
4-30-06	173.4	Structural Concepts	4998			
5-23-06	877.50	Terracon	63L4916	Concrete test		
5-31-06	580.35	Structural Concepts	5052			
9-12-06	291	Terracon	63L5281	Concrete test		
9-22-06	1,733.5	RBF Consulting	6080435	Installing gate, locker, paint.		
9-29-06	3,748.64	Antech	14140	Install a 19'x8' steel gate/locks track system/paint		
9-30-06	31,608.5	Bedrock Masonry	1401	Install a 8x8x16 wall @ Well No.1 site		
9-30-06	191.70	Structural Concepts	5248			
10-20-06	31,608.5	Bedrock Masonry	1453	Install a 8x8x16 wall @ Well No.1 site		
10-31-06	213.30	Structural Concepts	5307			

Red Rock Utilities, LLC – Water Division

Docket No. WS-04245A-14-0295 (rates)

Page 12

11-28-06	3,748.64	Antech	14567	Install a 19'x8' steel gate/locks track system/paint		
2-20-07	19,140	Smyth's Steel Manufacturing	1840	Installation electric /control equipment in Well No. 2Site.		
11-30-06	359.15	Structural Concepts	5354			
12-31-06	215.75	Structural Concepts	5382			
1-1-07	250	Bedrock Masonry	1587	Material (concrete)		
1-16-07	177	Terracon	63L5667	Concrete test		
1-26-07	1,258	RBF Consulting	6121582	For alignment, grading @ well sites.		
2-20-07	6,000	Smyth's Steel Manufacturing	1837	Material/labor for grading @ Well No.1 site		
2-20-07	3,600	Smyth's Steel Manufacturing	1837	Installation of 80 sq yards of hand-placed rip-raprd @ Well No.1 site		
3/23/07	240	Az Trucking & Martial	9650	Purchasing rocks		
4-27-07	2,760	RBF Consulting	7030653	For alignment, grading @ well sites.		
5-25-07	3,857.5	RBF Consulting	7040058	For alignment, grading @ well sites.		
5-25-07	19,756.73	Borderland	7869	Earth work		
Total	\$134,907				330.1	Reclassified to Structures & Improvements Account No. 304
9-18-06	15,795	Smyth's Steel Manufacturing	1612	Installation of well manifold piping, flow meter, etc @ Well No.2		
9-20-06	10,550	Smyth's Steel Manufacturing	1608	Installation of well manifold piping, flow meter, etc @ Well No.1		

Total	\$26,345				330.1	Wells Account (NARUC Acct #307)
1-26-07	1,258	RBF Consulting	51698 (6121582)	Labor for staking 8" water transmission @S Mission Ln from Well No.2 along Sasco to storage tank in Well No.1		
Total	\$1,258				330.1	Transmission & Distribution Account No.331.
5-18-16	38,320	Smyth's Steel Manufacturing	1509	For installation of booster pumps in Well No.1 site		
9-18-06	81,430	Smyth's Steel Manufacturing	1608	For installation of booster pumps in Well No.1 site		
Total	\$119,750				330.1	Pumping Equipment Account No. 311
Total	\$510,970				330.1	

Table 7B³

Co. Acct No.	date	description	Amount (\$)	Vendor	Invoice No.	Listed in Company reported Account No.	Recommended Reclassification Account No.
101302.1	10-24- 06	30778-00106 LEGAL	2,205.5	LEWIS & ROCA	782725	Franchise Acct No. 302	
		Total	2,205.5				Transmission & Distribution Main Account No. 331

³ Table 7B lists items in Franchise Account (Acct No.302) to be **reclassified** to Transmission & Distribution Mains (Acct No.331) due to Main Extension Agreement ("XAs").

2. Table 7C lists items in Franchise Account (Acct No.302) were for Clean Water Section 208 permitting and Aquifer Protection permitting for wastewater facility, Staff recommends reclassification to Wastewater Treatment & Disposal Equipment (Acct No.380).

Table 7C

Co. Acct No.	date	description	Amount (\$)	Vendor	Invoice No.	Listed in Company reported Account No.	Recommended Reclassification Account No.
101302.1	6-30-03	WLB WORK – 1 ST ENGINEERING	20,000	WLB GROUP	100050B005-01/02	Franchise Acct No. 302	
101302.1	9-24-03	30778-00106 LEGAL	442	LEWIS & ROCA	684612		
101302.1	11-22-03 (10-22-03?)	30778-00106 LEGAL	102	LEWIS & ROCA	686699		
101302.1	55-11-04	30778-00106 LEGAL	610	LEWIS & ROCA	703958		
101302.1	3-15-05	MISC LEGAL	687	Robertson, Lawrence	11429		
101302.1	10-24-06	30778-00106 LEGAL	253	LEWIS & ROCA	782725		
		Total	22,094			302	Wastewater Treatment & Disposal Equipment Acct No. 380.

3. Table 7D lists item in Well Account (Acct #307) was the purchase of an on-site generator; Staff recommends reclassification to Power Generation Equipment (Acct #310)

Table 7D

Acct #	date	description	Amount (\$)	Vendor	Invoice No.	Listed in Company reported Account No.	Recommended Reclassification Account No.
101307	6-27-06	135KW generator	46,401.93	Arizona Generator Technology	62706	Well Acct No. 307	
		Total	46,401.93			307	Power Generation Equipment Acct No. 310

4. Table 7E lists Laboratory Equipment (Acct #344) expenses associated with the ion exchange treatment plant; Staff recommends this expense be reclassified to Water Treatment Plant Equipment (Account #320.1).

Table 7E

Acct #	date	description	Amount (\$)	Vendor	Invoice No.	Listed in Company reported Account No.	Recommended Reclassification Account No.
101344	8-14-06	NITRATAX	14,717.61	USA BlueBook	2223640	Lab Equipment Account No. 344	
		Total	14,717.61				Water Treatment Plant Equipment Account No.320.1

IV. Curtailment Tariff

The Company has an approved Curtailment Tariff on file with the Commission.

V. Cross Connection & Backflow Prevention Tariff

The Company has an approved Cross Connection & Backflow Prevention Tariff on file with the Commission.

VI. Best Management Practices ("BMP") Tariffs

After discussions with Staff, the Company has agreed to implement the five BMP tariffs included in the attachment labeled Figure 7. The Company filed five BMPs including: (1) BMP 1.1 (Local

and/or Regional Messaging Program Tariff); (2) BMP 2.3 (New Homeowner Landscape Information Tariff); (3) BMP 3.8 (Water Waste Investigations and Information Tariff); (4) BMP 5.2 (Water System Tampering Tariff); and (5) BMP 5.13 (Water Use Plan for New Non-residential User). Staff concludes that these BMP Tariffs are relevant to the Company's service area; Staff recommends approval of the five BMP Tariffs, attached hereto as Figure 7.

Staff further recommends that the Company notify its customers, in a form acceptable to Staff, of the BMP Tariffs approved by the Commission and their effective date by means of either an insert in the next regularly scheduled billing or by a separate mailing and shall provide copies of the BMP Tariffs to any customer upon request. Staff will file a letter in the Docket confirming that the Company's tariffs have been updated with the tariffs approved by the Commission. The tariffs shall go into effect 30 days after the date notice is sent to customers. The Company may request cost recovery of the actual costs associated with the BMPs implemented in its next general rate application.

VII. Adjustments to Account for Excess Capacity or Plant Determined "Not Used and Useful"

Red Rock proposed Unadjusted Plant In Service is reduced by \$905,808 to account for excess capacity. This adjustment reflects what the Company estimates would be the Red Rock Water plant at the end of a projected 5 year period and assuming growth of 400 additional customers during the period. Staff conducted its own independent analysis, which produced a similar adjustment for plant Staff considers "Not Used and Useful". Table 8 below lists Staff's adjustments which total \$958,970.

Table 8

Acct No.	Description	Amount (\$)
303	Land & Land Rights	4,694
320	Water Treatment Equipment	573,066
320	Water Treatment Equipment ¹	14,718
331	Transmission & Distribution Main	205,814
333	Services	127,528
335	Hydrants	33,150
	Total	958,970

Note 1) Plant in Laboratory Equipment (Account No. 344) reclassified to Water Treatment Equipment (Account No. 320) (see Table 7E).

FIGURE 1A

Red Rock Water Certificate Service Area in Pinal County

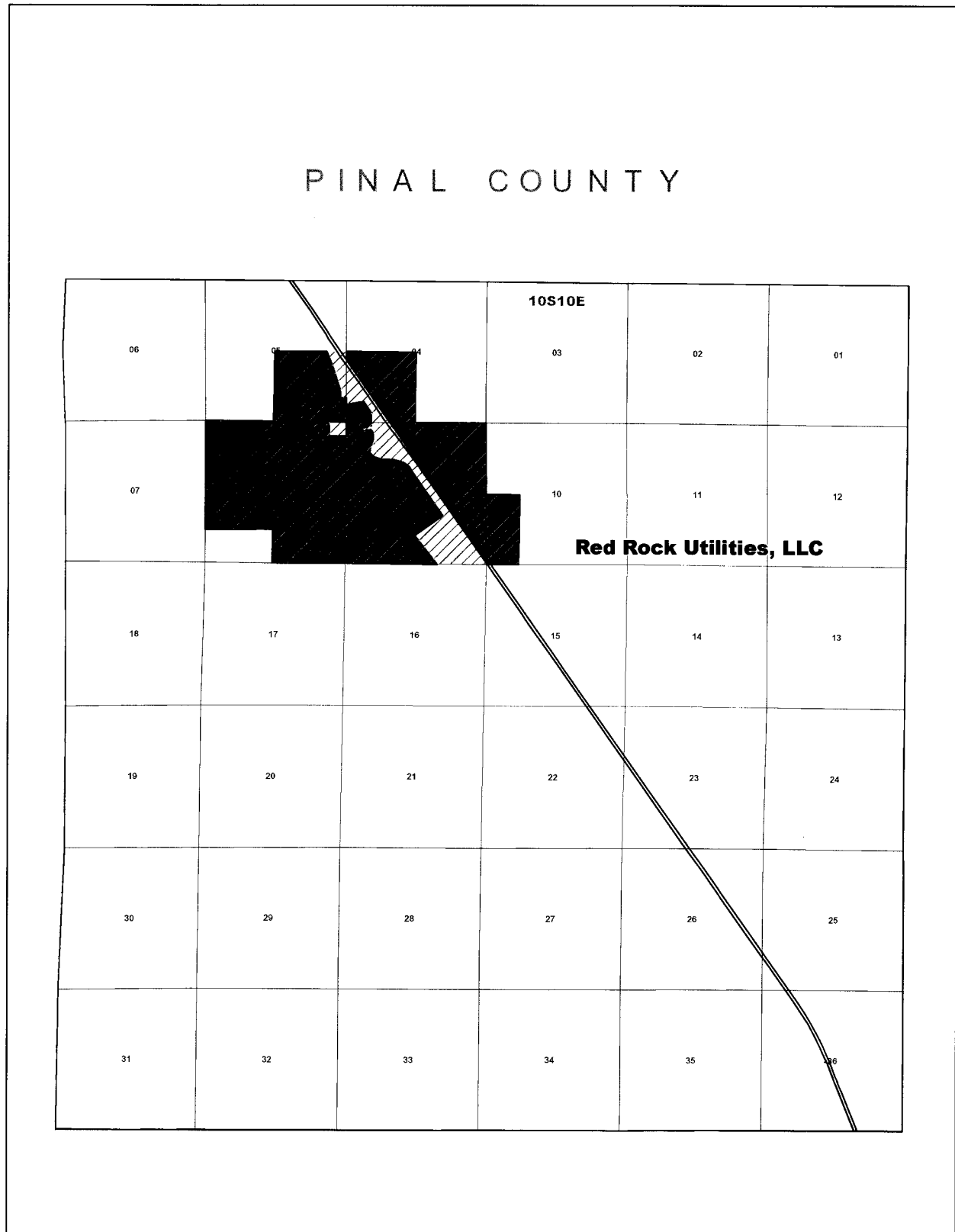


FIGURE 1B

Red Rock Water Certificate Service Area in Pima County

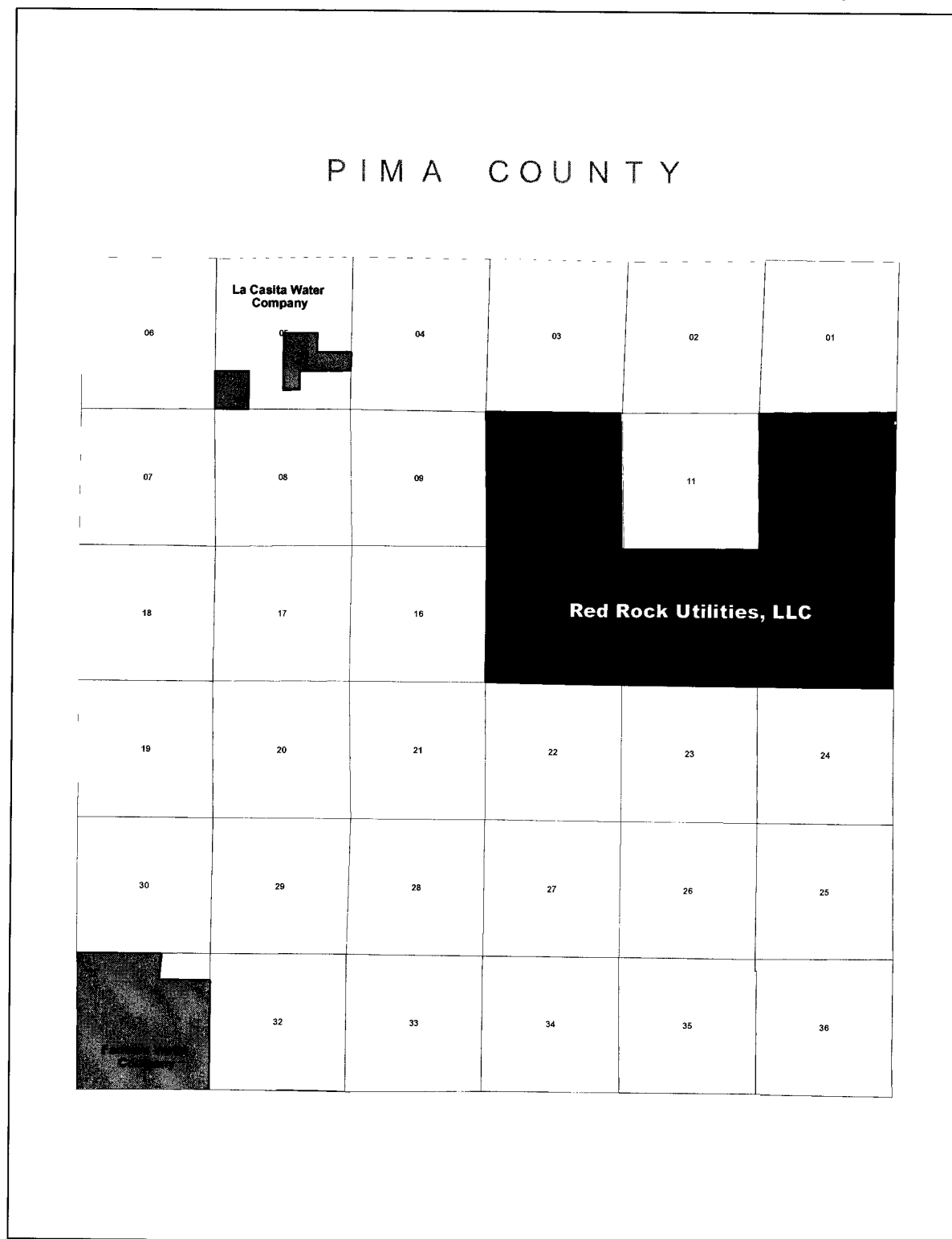


FIGURE 2A.

LOCATION OF RED ROCK - WATER SERVICE AREA IN PINAL COUNTY

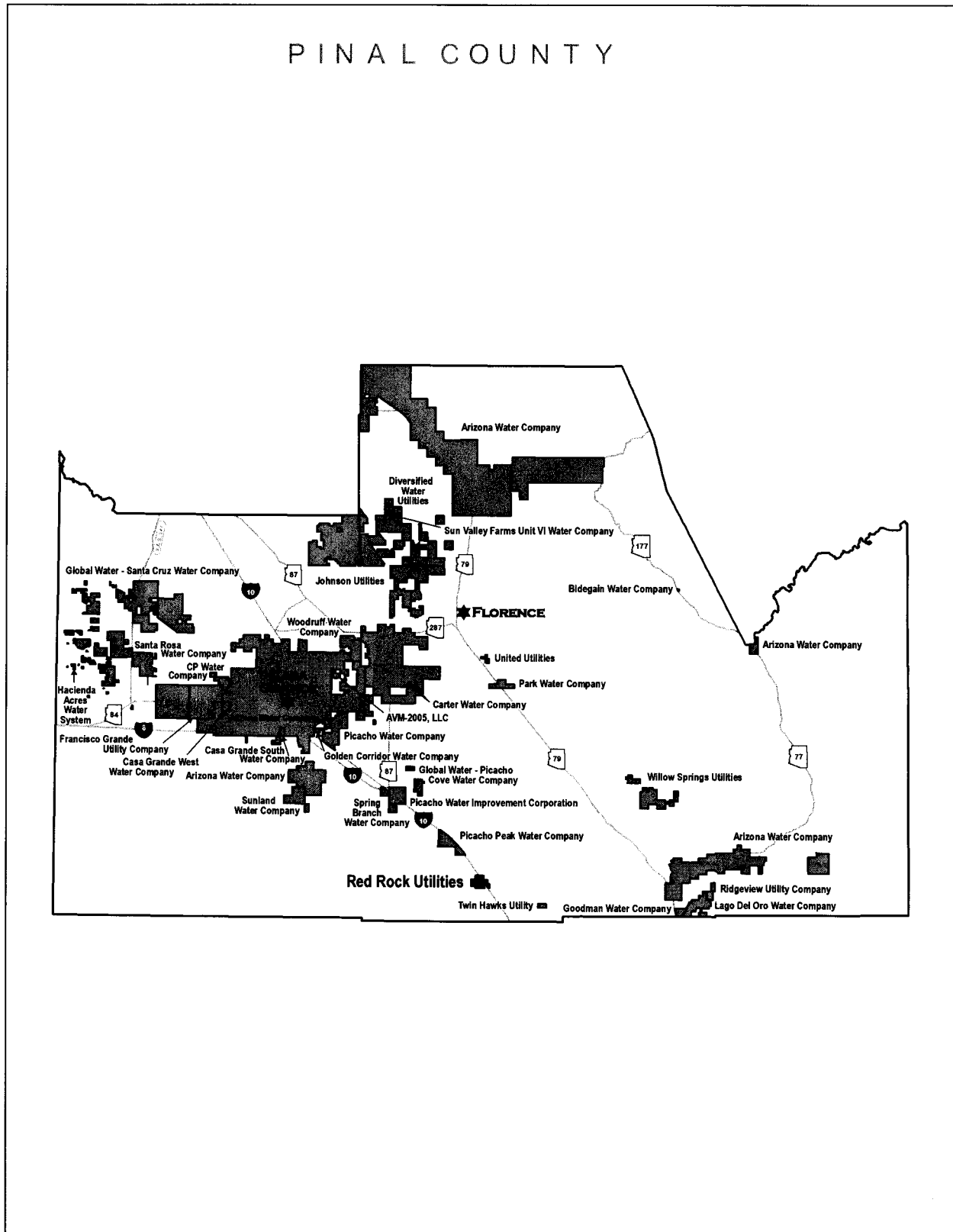


FIGURE 2B.

LOCATION OF RED ROCK - WATER SERVICE AREA IN PIMA COUNTY

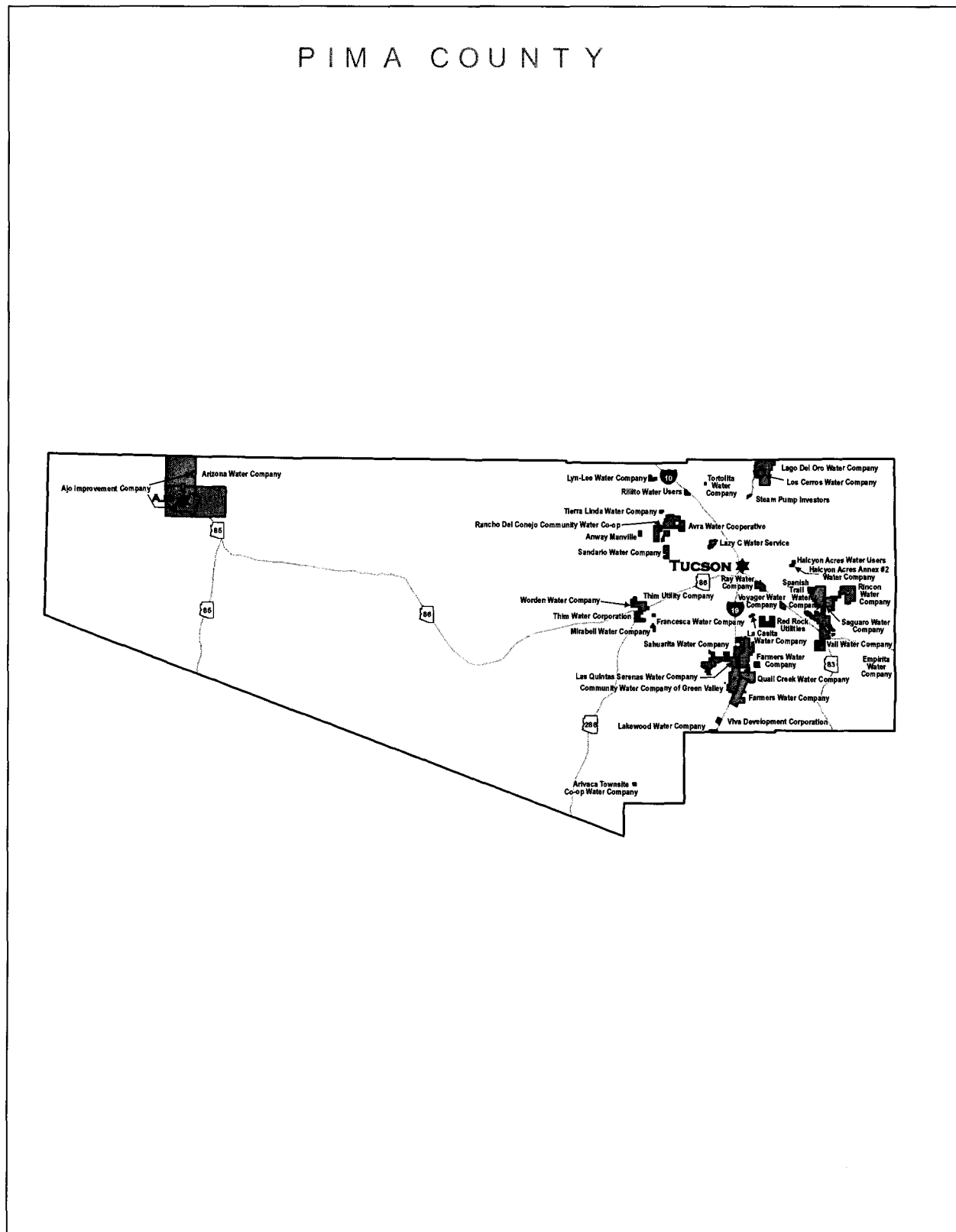


FIGURE 3 SYSTEMATIC DRAWING

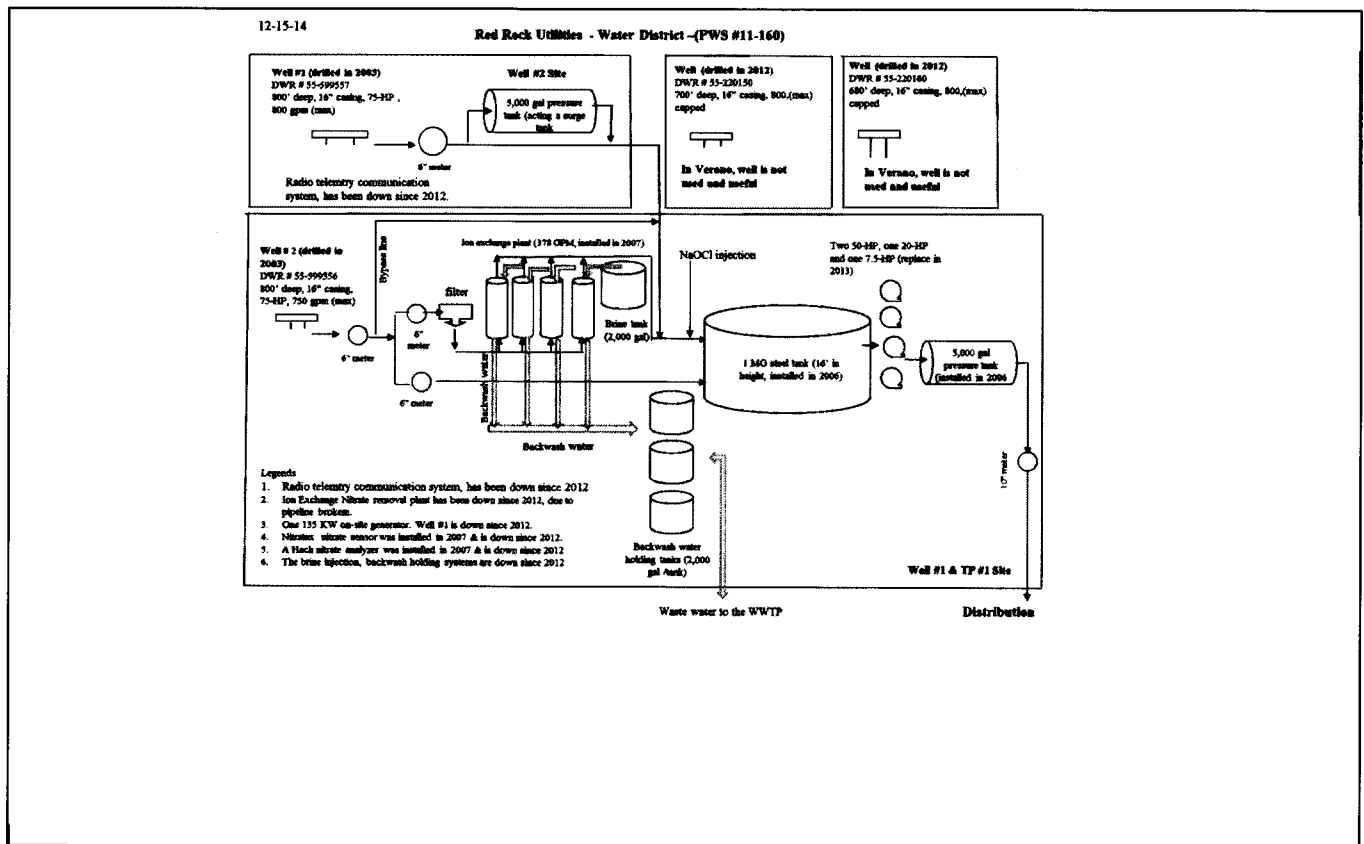


FIGURE 4

WATER USAGE IN RED ROCK WATER SERVICE AREA

**During Test Year (Jan 2013 - Dec 2013) Water Usage In Red
Rock Utilities (PWS #11-160) CC&N Area**

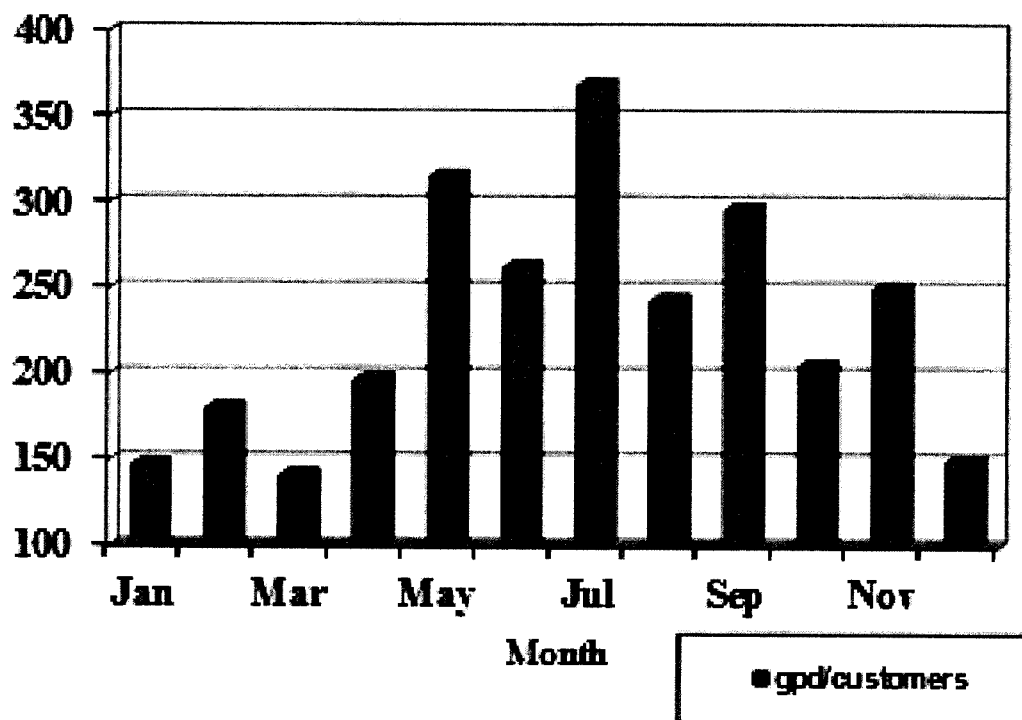


FIGURE 5

ACTUAL AND PROJECTED GROWTH IN RED ROCK WATER SERVICE AREA

**Actual And Projected Growth In Red Rock Utilities – Water
Division CC&N Area**

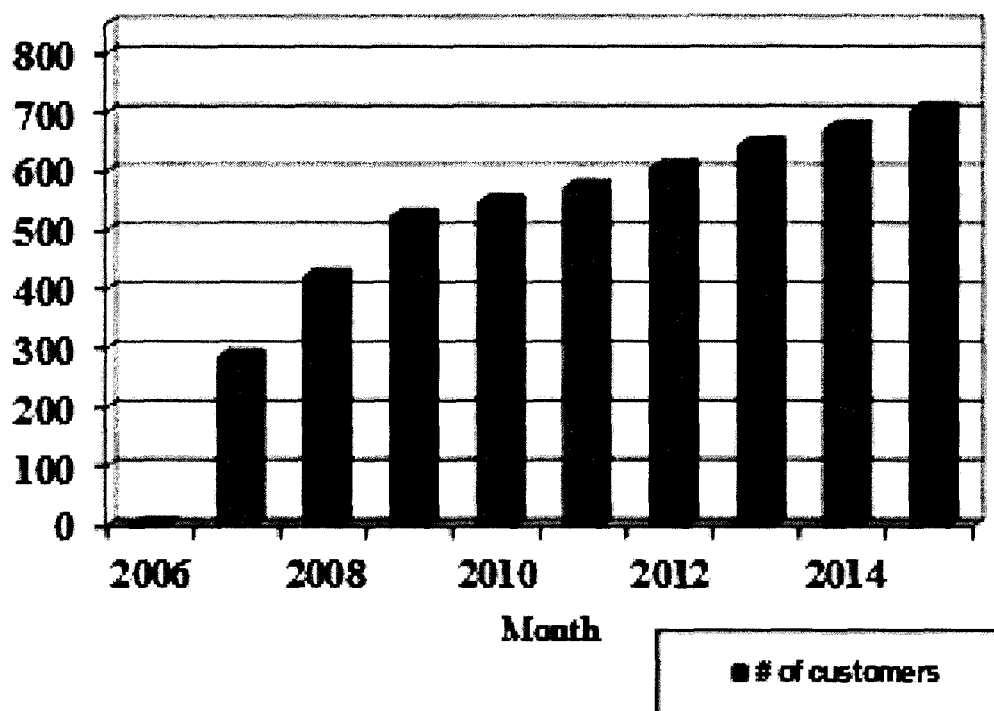


FIGURE 6
Water Depreciation Rates (Red Rock – Water District)

Acct. No.	Depreciable Plant	Decision No. 67409 (approved rate %)	Company proposed	Staff Recommended Rate (%)
301	Organization	0.00	0.00	0.00
302	Franchises	0.00	0.00	0.00
303	Land and Land Rights	0.00	0.00	0.00
304	Structures & Improvements	3.33	3.33	3.33
305	Collecting & Impounding Reservoirs	2.50	2.50	2.50
306	Lake, River, Canal Intakes	2.50	2.50	2.50
307	Wells & Springs	3.33	3.33	3.33
308	Infiltration Galleries	6.67	6.67	6.67
309	Raw Water Supply Mains	2.00	2.00	2.00
310	Power Generation Equipment	5.00	5.00	5.00
311	Pumping Equipment	12.5	12.5	12.5
320	Water Treatment Equipment	3.33	3.33	
320.1	Water Treatment Plants	N/A	3.33	3.33
320.2	Solution Chemical Feeders	N/A	20.00	20.0
330	Distribution Reservoirs & Standpipes	2.22	2.22	
330.1	Storage Tanks	N/A	2.22	2.22
330.2	Pressure Tanks	N/A	5.00	5.00
331	Transmission & Distribution Mains	2.00	2.00	2.00
333	Services	3.33	3.33	3.33
334	Meters	8.33	8.33	8.33
335	Hydrants	2.00	2.00	2.00
336	Backflow Prevention Devices	6.67	6.67	6.67
339	Other Plant & Misc Equipment	6.67	6.67	6.67
340	Office Furniture & Equipment	6.67	6.67	6.67
340.1	Computers & Software	N/A	20.00	20.00
341	Transportation Equipment	20.00	20.00	20.00
342	Stores Equipment	4.00	4.00	4.00
343	Tools, Shop & Garage Equipment	5.00	5.00	5.00
344	Laboratory Equipment	10.00	10.00	10.00
345	Power Operated Equipment	5.00	5.00	5.00
346	Communication Equipment	10.00	10.00	10.00
347	Miscellaneous Equipment	10.00	10.00	10.00
348	Other Tangible Plant	10.00	10.00	10.00

FIGURE 7 Five Best Management Practices (“BMP”) Tariffs for RR -W

Company: Red Rock Utilities, LLC .

Decision No.: TBD

Phone: 520-577-0200

Effective Date: TBD

Local and/or Regional Messaging Program Tariff – BMP 1.1

PURPOSE

A program for the Company to actively participate in a water conservation campaign with local or regional advertising (Modified Non-Per Capita Conservation Program BMP Category 1: Public Awareness/Public Relations 1.1: Local and/or Regional Messaging Program).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company or designated representative shall actively participate in water conservation campaign with local and/or regional advertising.
2. The campaign shall promote ways for customers to save water.
3. The Company shall facilitate the campaign through one or more of the following avenues (not an all inclusive list):
4. a. Television commercials
5. b. Radio commercials
- c. Websites
- d. Promotional materials
- e. Vehicle signs
- f. Bookmarks
- g. Magnets
6. The Company shall keep a record of the following information and make it available to the Commission upon request.
 - a. A description of the messaging program implemented and program dates.
 - b. The number of customers reached (or an estimate).
 - c. Costs of Program implementation.

Company: Red Rock Utilities, LLC

Decision No.: TBD

Phone: 520-577-0200

Effective Date: TBD

New Homeowner Landscape Information Tariff – BMP 2.3

PURPOSE

A program for the Company to promote the conservation of water by providing a landscape information package for the purpose of educating its new customers about low water use landscaping (Modified Non-Per Capita Conservation Program BMP Category 2: Conservation Education and Training 2.3: New Homeowner Landscape Information).

REQUIREMENTS:

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. Upon establishment of water service the Company shall provide a free "Homeowner Landscape Packet" to each new customer in the Company's service area. The packet will include at a minimum: a cover letter describing the water conservation expectations for all customers in the Company's service area, all applicable tariffs, a basic interior-exterior water saving pamphlet, xeriscape landscape information, and information on where to find low water use plant lists, watering guidelines, and a rain water harvesting pamphlet.
2. Upon customer request, the Company shall provide:
 - a. On-site consultations on low water use landscaping and efficient watering practices.
 - b. A summary of water saving options.
3. The number of packets provided to new customers will be recorded and made available to the Commission upon request.

Company: Liberty Utilities (Litchfield Park Water & Sewer) Corp. Decision No.: TBD

Phone: 623.935.9367

Effective Date: TBD

Water Waste Investigations and Information Tariff – BMP 3.8

PURPOSE

A program for the Company to assist customers with water waste complaints and provide customers with information designed to improve water use efficiency (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services 3.8: Water Waste Investigations and Information).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission specifically R14-2-403 and R14-2-410 and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall handle water waste complaints as calls are received.
2. Calls shall be taken by a customer service representative who has been trained to determine the type of water waste and to determine if it may be attributed to a leak or broken water line.
3. The Company shall follow up on every water waste complaint.
4. Upon request by the customer or when the Company determines it is warranted, a trained Field Technician shall be sent to investigate further and notify the responsible party of the waste and offer assistance and information to prevent waste in the future.
5. A letter of enforcement will be issued to customers with water running beyond the curb and/or off the customers property due to such things as, but not limited to, backwashing of pools, broken sprinkler heads, and over watering of lawns beyond the saturation point.
6. The same procedures outlined above in item #4 will be followed in the event of a second violation. Termination of service may result in the event of the third violation within a 12 month period. In the event of a third violation the customer's service may be terminated per Arizona Administrative Code R14-2-410C, R14-2-410D and R14-2-410E (applicable service reconnection fees shall apply).
7. The Company shall record each account and each instance noted for water waste, the action taken and any follow-up activities.
8. Subject to the provisions of this tariff, compliance with the water waste restriction will be a condition of service.
9. The Company shall provide to its customers a complete copy of this tariff and all attachments upon request and to each new customer. The customer shall abide by the water waste restriction.
10. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

Company: Red Rock Utilities, LLC Decision No.: _____

Phone: 520-577-0200 Effective Date: _____

Water Use Plan For New Non-Residential Users Tariff – BMP 5.13

PURPOSE

A program for the Company to require all new commercial, industrial, and institutional users who have annual projected water use of ten acre-feet or more per year to submit a water use plan that identifies all water uses anticipated by the user, and the water efficiency measures associated with the uses (Modified Non-Per Capita Conservation Program BMP Category 5: Ordinances/Conditions of Service/Tariffs 5.13: Requiring a Water Use Plan).

REQUIREMENTS:

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission, specifically A.A.C. R14-2-403 and R14-2-410 and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. Subject to the provisions of this tariff, as a condition of service all new commercial, industrial and institutional users with a projected annual water use requirement of five acre-feet (1,629,250 gallons) or more per year, will be required to submit a water use plan which identifies all water uses anticipated by the user and the water efficiency measures associated with the uses.
2. The water use plan submitted by users must include at least three of the following measures:
 - a. Statement of water efficiency policy,
 - b. Water Conservation education/training for employees,
 - c. Identification of on-site recycling and re-use strategies,
 - d. Total cooling capacity and operating Total Dissolved Solids or conductivity for cooling towers,
 - e. Identification of best available technologies used for process, cooling and domestic water uses,
 - f. Landscape watering system distribution uniformity and landscape water budget, and/or
 - g. Total annual water budget for the facility.
3. The Company shall provide to all new commercial, industrial, and institutional customers a complete copy of this tariff and all attachments upon request for service. The customer shall follow and abide by this tariff.
4. If after a customer has been connected to the Company water system, the Company discovers that the customer has, for example, installed turf or water-use intensive features contrary to its water use plan, the Company shall notify (in writing) the customer of such violation and provide the customer with the appropriate educational materials informing the customer of some possibilities of how to correct the problem. The customer shall be allowed sixty (60) days to come into compliance with his or her plan requirements. If after sixty (60) days the customer is not in compliance with his or her plan requirements, the customer's service may be terminated per Arizona Administrative Code R14-2-410C, R14-2-410D and R14-2-410E.
5. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

WATER SYSTEM TAMPERING TARIFF – BMP 5.2

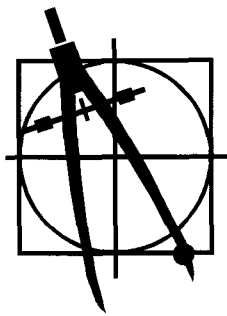
PURPOSE

The purpose of this tariff is to promote the conservation of groundwater by enabling the Company to bring an action for damages or to enjoin any activity against a person who tampers with the water system.

REQUIREMENTS:

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission, specifically Arizona Administrative Code (“AAC”) R14-2-410 and the Arizona Department of Water Resources’ Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. In support of the Company’s water conservation goals, the Company may bring an action for damages or to enjoin any activity against a person who: (1) makes a connection or reconnection with property owned or used by the Company to provide utility service without the Company’s authorization or consent; (2) prevents a Company meter or other device used to determine the charge for utility services from accurately performing its measuring function; (3) tampers with property owned or used by the Company; or (4) uses or receives the Company’s services without the authorization or consent of the Company and knows or has reason to know of the unlawful diversion, tampering or connection. If the Company’s action is successful, the Company may recover as damages three times the amount of actual damages.
2. Compliance with the provisions of this tariff will be a condition of service.
3. The Company shall provide to all its customers, upon request, a complete copy of this tariff and AAC R14-2-410. The customers shall follow and abide by this tariff.
4. If a customer is connected to the Company water system and the Company discovers that the customer has taken any of the actions listed in No. 1 above, the Company may terminate service per AAC R14-2-410.
5. If a customer believes he/she has been disconnected in error, the customer may contact the Commission’s Consumer Services Section at 1-800-222-7000 to initiate an investigation.



**Engineering Report
Red Rock Utilities, LLC -
Wastewater Division
Prepared By
Dorothy Hains, P. E.
Docket Nos. WS-04245A-14-0295
(Rates)**

February 25, 2015

EXECUTIVE SUMMARY

Recommendations:

1. Arizona Corporation Commission ("ACC" or "Commission") Utilities Division Staff ("Staff") recommends estimated annual wastewater testing costs of \$18,643 for Red Rock Utilities, LLC ("Red Rock" or "Company") – Wastewater Division "WW". (See §H for discussion and details.)
2. Staff recommends the depreciation rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category, as delineated in Figure 6. (See §I and Figure 6 for a discussion and a tabulation of the recommended rates.)
3. Staff recommends that the plant items listed in Tables 5, 6 and 7 be reclassified accordingly for accounting purposes as indicated. (See §J for discussion and details.)
4. Staff recommends that a total of \$549,042.9 of sewer collection system plant be considered Not Used and Useful for purposes of this case. (See §J for discussion and details.)
5. In a Compliance Status Report dated January 26, 2015, Arizona Department of Environmental Quality ("ADEQ") reported that Red Rock's Water Reclamation Facility ("WRF") is not in total compliance with ADEQ regulations. Staff recommends that any rate increase approved in this proceeding not become effective until the first day of the month following the Company's filing of an updated ADEQ Wastewater Compliance Status Report for the Red Rock WRF indicating that this facility is in compliance or, that the facility was not in violation at a level at which ADEQ would take an action or issue a Notice of Opportunity to Correct or Notice of Violation and/or is in compliance with the Order/Judgment. (See §F of report for discussion and details.)

Conclusions:

1. A check of the Commission's Compliance Section database dated November 26, 2014, indicated that Red Rock Utilities had no ACC delinquent compliance items. (See §G of report for discussion and details.)

2. The Red Rock WRF has adequate treatment capacity to serve the present customer base and reasonable growth. (See §D of report for discussion and details.)
3. Staff agrees with the Company's excess capacity adjustments. (See §J for discussion and details.)

TABLE OF CONTENTS

	Page
A. PURPOSE OF REPORT.....	1
B. LOCATION OF THE RED ROCK - WW	1
C. DESCRIPTION OF SYSTEM	1
D. WASTEWATER FLOW	3
I. Wastewater Flows	3
II. System Analysis.....	3
E. GROWTH PROJECTION.....	3
F. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE.....	4
G. ACC COMPLIANCE.....	4
H. WASTEWATER TESTING EXPENSES.....	4
I. DEPRECIATION RATES	6
J. OTHER ISSUES	7
I. Plant Not in Use	7
II. Reclassification of Plant Items	7
III. Company Adjustments to Rate Base to Account for Excess Capacity.....	11

FIGURES

Figure 1: Red Rock – WW Certificate Service Area	12
Figure 2: Location of Red Rock – WW Service Area	13
Figure 3: Systematic Drawing	14
Figure 4: Wastewater Flow in Red Rock – WW Service Area	15
Figure 5: Actual and Projected Growth in Red Rock – WW Service Area	16
Figure 6: Depreciation Rates.....	17
Figure 7: Red Rock Revised Schedule B-2.....	18

A. PURPOSE OF REPORT

This report was prepared in response to the application filed by Red Rock Utilities LLC (“Red Rock” or “Company”) - Wastewater Division (“Red Rock – WW”) with the Arizona Corporation Commission (“ACC” or “the Commission”) to increase its wastewater rates. The ACC Utilities Division Staff (“Staff”) engineering review and analysis of the subject application is presented in this report.

An inspection of the Red Rock’s wastewater system was conducted by Dorothy Hains, Staff Engineer, accompanied by Dennis Wing (the Company’s Wastewater Operator) on November 13, 2014.

B. LOCATION OF THE RED ROCK - WW

Red Rock – WW, which is located north of the City of Marana, provides sewage service to Red Rock non-incorporated communities in south-central Pinal County. Figure 1 shows the location of Red Rock - WW within Pinal County and Figure 2 shows the approximate two and a half square-miles of Red Rock’s wastewater certificated area.

C. DESCRIPTION OF SYSTEM

Red Rock-WW operates its Red Rock Water Reclamation Facility (“WRF”), and a collection system. Red Rock WRF is an enclosed treatment facility with one odor control system to eliminate odor problems. Red Rock WRF, with a 0.3 million gallon per day (“MGD”) treatment capacity, was constructed during 2006 and 2007. It consists of a raw sewage inflow lift station (“LS”), headworks, grit removal, an anoxic reactor, two sequential batch reactors (“SBR”), two sludge digesters, four pressure sand filters, three UV disinfection trains with twelve UV tubes per train and a backup chlorine disinfection system. The final treated effluent is disposed of in a storage pond for reuse and is discharged to a nearby unnamed tributary of the Santa Cruz River. The dry sludge is hauled to a landfill for disposal. Red Rock-WW uses a Supervisory Control and Data Acquisition (“SCADA”) system to communicate and control each WRF treatment/disposal process step.

Final treated effluent is permitted for reuse by the Arizona Department of Environmental Quality (“ADEQ”) via Arizona Aquifer Protection (“APP”) Permit (Permit No. 105621 and 53068) and Reuse Permit (Permit No. 105978). Red Rock-WW disposes of its final effluent in Red Rock Subdivision’s common areas such as the Community Park, common green areas, the school playground and soccer field. ADEQ also permits Red Rock-WW to dispose of its final treated effluent in an unnamed wash via Arizona Pollutant Discharge Elimination System (“AZPDES”) Permit No. AZ0025143.

Red Rock-WW served approximately 620 customers during the test year ending in December 2013. The wastewater system schematics are shown in Figure 3 with detailed plant facility descriptions as follows:

Table 1 Plant Description
Water Reclamation Facility

Name	Plant Capacity	Location
Red Rock WRF	0.3 MGD treatment plant consists of influent lift station, headworks with fine screens and grit removal, anoxic reactor, SBRs for nitrification/denitrification, pressure sand filter, ultraviolet disinfection system, aerobic sludge digesters, and sludge dewatering centrifuges. Odor control system, centrifuge, ultraviolet system, chlorination backup disinfection unit, effluent pump station, and effluent storage pond	33786 S. Spirit Ln., Red Rock, Arizona

Lift Station (“LS”) Facilities

	Connecting to which WWTP	Location	No. Pumps	Pump (in HP)	Capacity (in gallons per minute per pump)	Wet Well Capacity (in gallons)
Inflow LS	RR WRF	33786 S. Spirit Ln., Red Rock, Arizona	2	15	625	4,680

Force Mains

Size (in inches)	Material	Length (in feet)
8	Ductile Iron Pipe (“DIP”)	60

Collection Mains

Size (in inches)	Material	Length (in feet)
8	Poly vinyl chloride (“PVC”)	58,128
12	PVC	2,670
15	PVC	1,542
18	PVC	6,314
24	DIP	60
18	DIP	308

Manholes & Cleanouts

Type	Quantity
Standard Manhole	155
Drop Manhole	0
Cleanouts	6

Services

Size (in inches)	Material	Length (in feet)
4	PVC	768
6	PVC	2

D. WASTEWATER FLOW*I. Wastewater Flows*

Based on the information provided by the Company, its wastewater flows for the test year ending in December 2013 are presented in Table 2 and Figure 4. For the average daily flows, January 2013 experienced the highest flow of 78,000 gallons per day (“GPD”). For the peak day flows, November 2013 had the highest flow when 96,332 gallons were treated in one day.

Table 2 Red Rock – Wastewater District Wastewater Flow In 2013

Month	Number of Connections	Monthly Total Volumes of Treated Wastewater (gallons)	Peak Day Flow (gallons)	Daily Average (gallons/day)	Daily Average Flow (GPD/customers)	Peak Day flow (GPD/customers)
Jan	586	2,066,000	96,332	66,645	114	164
Feb	587	1,824,000	77,010	65,143	111	131
Mar	589	1,986,000	88,389	64,065	109	150
Apr	589	1,942,000	78,107	64,733	110	133
May	594	2,007,000	89,472	64,742	109	151
Jun	599	1,840,000	85,633	61,333	102	143
Jul	601	2,034,000	83,585	65,613	109	139
Aug	609	2,088,000	88,462	67,355	111	145
Sep	616	2,039,000	91,847	67,967	110	149
Oct	619	2,133,000	85,197	68,806	111	138
Nov	619	2,340,000	86,667	78,000	126	140
Dec	619	2,136,000	92,076	68,903	111	149
Average					111	

II. System Analysis

Staff concludes that Red Rock WRF has adequate treatment capacity to serve the present customer base and reasonable growth.

E. GROWTH PROJECTION

Figure 5 depicts the customer growth using linear regression analysis. The number of service connections was obtained from annual reports submitted to the Commission. At the end of the test year December 2013, the Company had 619 customers and it is projected that this system could have approximately 741 customers by December 2017. The following table summarizes Staff's projected growth.

Table 3 Actual and Projected Growth in Red Rock (Wastewater) Service Area

Year	Number of Customers	
2007	0	Reported
2008	431	Reported
2009	525	Reported
2010	548	Reported
2011	525	Reported
2012	583	Reported
2013	619	Estimated
2014	648	Estimated
2015	679	Estimated
2016	710	Estimated
2017	741	Estimated

F. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY (“ADEQ”) COMPLIANCE

In a Compliance Status Report dated January 26, 2015, ADEQ reported that Red Rock WRF was not in compliance with its permit(s), wastewater regulation, and/or Order/Judgment for the review period of 10/1/2013 – 9/30/2014. Staff recommends that any rate increase approved in this proceeding not become effective until the first day of the month following the Company’s filing of an updated ADEQ Wastewater Compliance Status Report for the Red Rock WRF indicating that this facility is in compliance or, that the facility was not in violation at a level at which ADEQ would take an action or issue a Notice of Opportunity to Correct or Notice of Violation and/or is in compliance with the Order/Judgment.

G. ACC COMPLIANCE

A check of the Commission’s Compliance Section database dated November 26, 2014, indicated that Red Rock had no ACC delinquent compliance items.

H. WASTEWATER TESTING EXPENSES

Red Rock-WW reported its wastewater testing expense at \$13,797 for the test year. Staff has reviewed the Company’s reported expense amount and has recalculated these expenses and recommends that Staff water testing expense of \$18,643 be adopted for this proceeding.

Based on minimum testing requirement in the APP Permit and the AZPDES Permit, Staff produced the estimated annual testing cost for Red Rock-WW in Table 4.

Table 4 Water Testing Cost for Red Rock – WW (Based On AZPDES #_AZ0025143 & APP #105621)

Monitoring – Discharge	No. of tests per year ¹	No. of tests per year only requested by AZPDES	Cost per test (\$)	Annual testing costs (\$)	Company Reported Total Costs	Staff Estimated Annual Cost
Biochemical Oxygen Demand (BOD ₅) for influent & effluent – 2/month	48		30	1,440	N/A	1,440
Bacteriological – Fecal Coliform (E Coli) – 4/month	48		35	1,680	N/A	1,680
Total Suspended Solids (TSS) for influent & effluent – 2/month	24		15	360	N/A	360
Total Dissolved Solids (TDS) – 1/quarter	4		15	60		60
pH- 1/week	52		15	780	N/A	780
Oil and grease – 1/quarter	4		55	220	N/A	220
Total residual chlorine (TRC)- 1/week	52		0	0	N/A	0
Ammonia (NH ₃) – 2/month	24		20	480	N/A	480
Nitrate & Nitrite (NO ₃ & NO ₂) – 1/quarter	4		30	120	N/A	120
Total Kjeldahl Nitrogen (TKN) -1/quarter	4		30	120	N/A	120
Total Nitrogen (calculated) – 1/quarter	4		60	240	N/A	240
Hardness – 1/quarter	4		16	64	N/A	64
Phosphorus (P) -quarterly	4		15	60	N/A	60
Antimony (Sb) – 2/year	2		13	26	N/A	26
Arsenic (As) -2/ year	2		8	16	N/A	16
Cadmium (Cd) – 1/quarter	4		13	52	N/A	52
Chromium (Cr) total – 1/quarter	4		13	52	N/A	52
Cr (VI) – 1/quarter	4		40	160	N/A	160
Copper (Cu) – 1/quarter	4		13	52	N/A	52
Cyanide (CN) – 1/quarter	4		30	120	N/A	120
Hydrogen Sulfide (H ₂ S) calculated – 1/quarter	4		0	0	N/A	0
Lead (Pb) – 2/year	2		8	16	N/A	16
Mercury (Hg) – 1/quarter	4		25	100	N/A	100
Nickel (Ni) -2/year	2		8	16	N/A	16
Selenium (Se) – 1/quarter	4		13	52	N/A	52
Silver (Ag) – 1/quarter	4		13	52	N/A	52

Thallium (Tl) – 2/year	2		13	26	N/A	26
Zinc (Zn) – 2/year	2		7.2	14.4	N/A	14.4
Metal prep	4		10	40	N/A	40
Selenastrum Capricornutum (whole Effluent Toxicity) – 1/quarter		4	795	3,180	N/A	3,180
Pimephales promelas (whole Effluent Toxicity) – 2/year		2	995	1,990	N/A	1,990
Ceriodaphnia (whole Effluent Toxicity) – 1/quarter		4	995	3,980	N/A	3,980
Characterization Reports – 2/3 years	2/3		300	200	N/A	200
Fluoride (F) ¹ – 1/quarter	4		15	60	N/A	60
Barium (Ba) ¹ – 1/quarter	4		8	32	N/A	32
Beryllium (Be) ¹ – 1/quarter	4		7.20	28.8	N/A	28.8
Selected Acid-extractable Compounds – 1/year	1		0	0	N/A	0
Selected Base-neutral Compounds – 1/year	1		270	270	N/A	270
Based on Designated Uses – 1/year	1		0	0	N/A	0
Carbamates – 1/year	1		185	185	N/A	185
Diquat -1 /year	1		172	172	N/A	172
Endothall -1/year	1		185	185	N/A	185
Glyphosate – 1/year	1		165	165	N/A	165
Volatile Organic Compound (VOCs) -1/year	1		307.5	307.5	N/A	307.5
PCB-1/year	1		135	135	N/A	135
Herbicides – 1/year	1		185	185	N/A	185
Semi-Volatile Organic Chemicals (SVOC) – 1/year	1		1,149	1,149	N/A	1,149
Total				18,642.7	13,797	18,642.7

Note: 1. Parameter is only required by APP permit #P-105621. Total monitoring/sampling frequencies are based on requirements in AZPDES (Permit # AZ0025143) and P-105621.

Total recommended water testing cost is \$18,643.

I. DEPRECIATION RATES

Staff has developed typical and customary depreciation rates within the range of anticipated equipment life. These rates are presented in Figure 6, and should be used to calculate the annual depreciation expense for the Company. Staff recommends the depreciation rates by individual National Association of Regulatory Utility Commissioners (“NARUC”) category, as delineated in Figure 6.

J. OTHER ISSUES

I. Plant Not in Use

Based on its field inspection Staff concludes that the plant related costs listed below are for future plant not currently used and useful.

Sewer collection lines and manholes along East Sasco Road are not in service since no customers currently live in that area. Therefore, a total of \$549,042.9¹ of sewer collection plant is not used and useful at present time.

II. Reclassification of Plant Items

- i. Staff recommends the plant items be reclassified as reflected in Table 5.

Table 5 Reclassification

Date	Vendor	Amount (\$)	Item object	Invoice #	Listed in Company reported Account #	Recommended Reclassification Account No.
4-26-07	PERC	31,432	Emergency generator	1453	380	
	Total	31,432				355 (Power Generation Equipment)
6-18-07	Teletronics	881.57	Cable, patch cords, phone connector, etc.	51469	380	
	Total	881.57				396 (Communication Equipment)
2-29-12	Bestway Electric Motor Service, Co.	5,729.60	3815S150-2 Grundfos pump (surge pump)	4201267	380	
1-13-13	JCH	5,950.29	Submersible mixer with 2.5HP	343705	380	
3-26-13	JCH	5,950.29	Submersible mixer with 2.5HP	343705	380	
5-31-13	JCH	9,495.98	7.5 HP Flygt pump	344729	380	
6-13-13	JCH	4,787.08	7.5 HP Flygt pump	344816	380	
11-13-13	JCH	10,784.62	15 HP Flygt pump	345907	380	
11-30-07	PACE	2,343.76	Reclaimed water pump	89513	380	
12-31-07	PACE	4,000	Reclaimed water	89623	380	

¹ Via November 25, 2014 the Company's e-mail responds.

			pump			
	Total	49,041.62				371 (Pumping Equipment)

ii. Items in Franchise Account (Account No.302)

Table 6 is a reclassification of items in the Franchise Account (Acct #302) for water to Wastewater Treatment & Disposal Equipment (Acct #380), due to the job characteristic which is related the Clean Water Act Section 208 Plan and APP permitting.

Table 6 Reclassification

Acct #	date	description	Amount (\$)	Vendor	Invoice #
101302.1	6-30-03	WLB WORK – 1 ST ENGINEERING	20,000	WLB GROUP	100050B005-01/02
101302.1	9-24-03	30778-00106 LEGAL	442	LEWIS & ROCA	684612
101302.1	11-22-03 (10-22-03?)	30778-00106 LEGAL	102	LEWIS & ROCA	686699
101302.1	55-11-04	30778-00106 LEGAL	610	LEWIS & ROCA	703958
101302.1	3-15-05	MISC LEGAL	687	Robertson, Lawrence	11429
101302.1	10-24-06	30778-00106 LEGAL	253	LEWIS & ROCA	782725
		Total	22,094		

iii. Structure and Improvements Account (Account No. 354)

The Company reported that it paid \$5,240,123 for wastewater treatment and disposal equipment (Account No. 380) in its application. After reviewing the supporting documentation, Staff determined that \$3,155,414² in Account No. 380 should be reclassified to (1) Structures and Improvements Account No. 354, (2) Power Generation Equipment Account No. 355, (3) Communication Equipment Account No. 396, (4) Laboratory Equipment Account No. 394, and (5) Pumping Equipment Account No. 371. Staff identified \$2,084,709.99 in Treatment and Disposal Equipment as reflected in Table 7. In Table 5 Staff also identified \$49,042 of plant in Account No. 371, \$881.57 of plant in Account No. 396, \$31,432 of plant in Account No. 355. Therefore, Staff recommends that \$3,072,246.65 in Treatment and Disposal Equipment be reclassified to Account No. 354.

Table 7 Plant Items Identified in Treatment and Disposal Equipment

Date	Vendor	Amount (\$)	Item object	Invoice #
1-13-06	PERC	30,000	Mechanical;	1118
1-13-06	PERC	1,287.66	Mechanical;	1119
2-15-06	PERC	27,702	Mechanical;	1137
2-15-06	PERC	1,188.3	Mechanical;	1138
5-15-06	PERC	10,300	Mechanical;	1212
5-15-06	PERC	441.14	Mechanical;	1213

²\$3,155,414 equals \$3,133,320 plus \$22,094 in plant items reclassified from the water Account No. 302.

Red Rock Utilities, LLC – Wastewater Division

Docket No. WS-04245A-14-0295 (rates)

Page 9

6-15-06	PERC	3,894.77	Mechanical;	1237
6-15-06	PERC	57,274	Mechanical;	1236
7-15-06	PERC	61,881.2	Mechanical;	1253
7-15-06	PERC	5,571.91	Mechanical;	1254
8-15-06	PERC	90,000	Mechanical;	1280
8-15-06	PERC	3,860.99	Mechanical;	1281
9-15-06	PERC	52,097.95	Mechanical;	1307
9-15-06	PERC	2,235.52	Mechanical;	1308
10-15-06	PERC	9,264	Mechanical;	1327
11-15-06	PERC	23,160	Mechanical;	1354
	total	380,159.44		
4-15-06	PERC	160,073	Process Equipment	1189
4-15-06	PERC	6,868.59	Process Equipment	1190
5-15-06	PERC	57,862	Process Equipment	1212
5-15-06	PERC	2,481.81	Process Equipment	1213
6-15-06	PERC	6,206.3	Process Equipment	1237
6-15-06	PERC	144,660	Process Equipment	1236
7-15-06	PERC	119,733	Process Equipment	1253
7-15-06	PERC	5,134.53	Process Equipment	1254
8-15-06	PERC	169,982.5	Process Equipment	1280
8-15-06	PERC	7,292.31	Process Equipment	1281
9-15-06	PERC	62,374	Process Equipment	1307
9-15-06	PERC	2,677.65	Process Equipment	1308
10-15-06	PERC	115,315	Process Equipment	1327
10-15-06	PERC	4,945.81	Process Equipment	1328
	total	865,606.5		
4-30-06	Surgeon Electric	925	Electronic/control	173119
5-15-06	PERC	81,107	Electronic/control	1212
5-15-06	PERC	3,479.04	Electronic/control	1213
6-15-06	PERC	881.53	Electronic/control	1237
6-15-06	PERC	2,535	Electronic/control	1236
7-15-06	PERC	63,650	Electronic/control	1253
7-15-06	PERC	134,272	Electronic/control	1253
7-15-06	PERC	2,729.99	Electronic/control	1254
7-15-06	PERC	5,760.93	Electronic/control	1254
8-15-06	PERC	52,290	Electronic/control	1280
8-15-06	PERC	40,493	Electronic/control	1280
8-15-06	PERC	2,243.43	Electronic/control	1281
8-15-06	PERC	1,736.36	Electronic/control	1281
9-15-06	PERC	42,158	Electronic/control	1307
9-15-06	PERC	64,635	Electronic/control	1307
9-15-06	PERC	1,808.86	Electronic/control	1308
9-15-06	PERC	2,772.97	Electronic/control	1308

Red Rock Utilities, LLC – Wastewater Division

Docket No. WS-04245A-14-0295 (rates)

Page 10

10-15-06	PERC	14,430	Electronic/control	1327
10-15-06	PERC	63,840	Electronic/control	1327
10-15-06	PERC	619.04	Electronic/control	1328
10-15-06	PERC	2,738.74	Electronic/control	1328
11-15-06	PERC	14,430	Electronic/control	1354
7-31-06	Surgeon Electric	12,218	Electronic/control	179916
9-28-06	Surgeon Electric	39,100	Electronic/control	183924
	total	668,853.89		
2-10-04	CAAG	3,375	permit	21004
8-15-05	ADEQ	1,653.5		81505
12-9-05	ADEQ	976		57451
3-15-06	ADEQ	1,342		n/a
5-30-06	ADEQ	2,379		n/a
8-8-06	ADEQ	2,128		n/a
	total	11,53.5		
	Total	1,926,473.33		
1-9-07	PERC	15,960	controls	1372
1-9-07	PERC	684.68	controls	1373
2-22-07	ADEQ	1,000	APP permit	6833
4-30-07	PACE	3,000	Pipeline/effluent storage pond	1477
5-9-07	PERC	6,284.51	Reproduction of plans & specs	1470
5-31-07	PACE	4,161.46	Pipeline/effluent storage pond	88574
7-20-07 & 11-13-07	PERC	52,396.75	Process Equip	1510
7-20-07 & 11-13-07	PERC	15,960	controls	1510
6-30-07	PACE	4,000	Pipeline/effluent storage pond	88704
10-8-07	PERC	12,210	Vault and Haul	1573
10-8-07	PERC	3,000	Equipment exercising	1572-revised
12-10-07	PERC	42,300	Facility startup;	1612
12-10-07	PERC	1,814.67	Facility startup;	1613
10-28-10	United Electric	4,551.97	Wires for air compressor	4476
11-15-06	PERC	993.56	Mechanical;	1355
11-15-06	PERC	619.06	electric	1355
	total	168,936.66		
	Total	2,084,709.99		

III. Company Adjustments to Rate Base to Account for Excess Capacity

Red Rock proposed adjustments to the Treatment and Disposal Equipment (Account No. 380), Structures and Improvements (Account No. 354) and Pumping Equipment (Account No. 371) which reduced its Unadjusted Plant In Service in these accounts a total of \$3,774,521. This adjustment reflects what the Company estimates would be the Red Rock WRF excess treatment capacity at the end of a projected 5 year period and assuming growth of 400 additional customers during the period. Staff conducted its own independent analysis which produced a similar adjustment for excess treatment capacity therefore, Staff agrees with the Company's excess treatment capacity adjustment of \$3,775,825. Figure 7 demonstrates the Company's adjustment.

FIGURE 1

Red Rock –WW Certificate Service Area

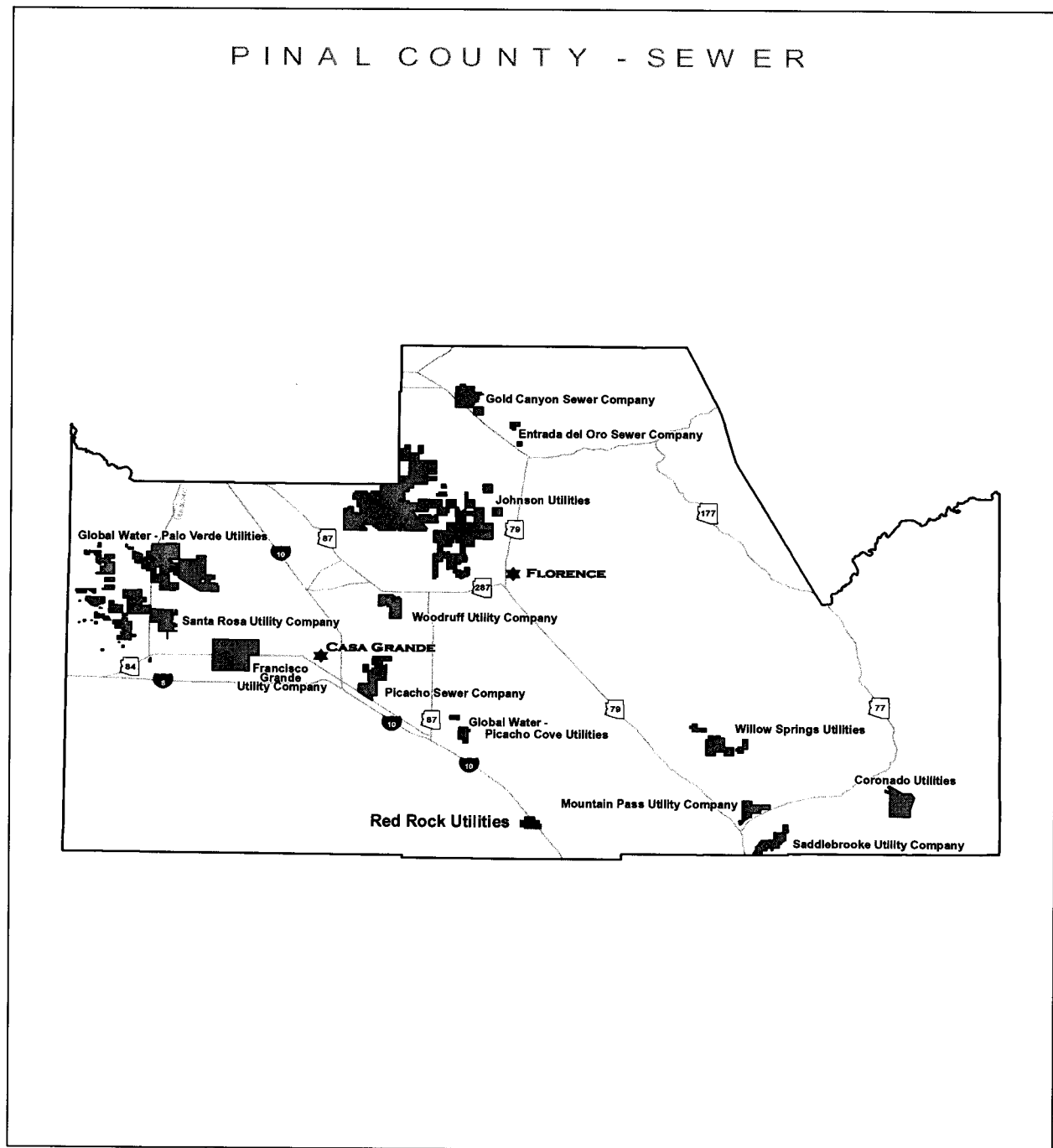


FIGURE 2 LOCATION OF RED ROCK - WW SERVICE AREA

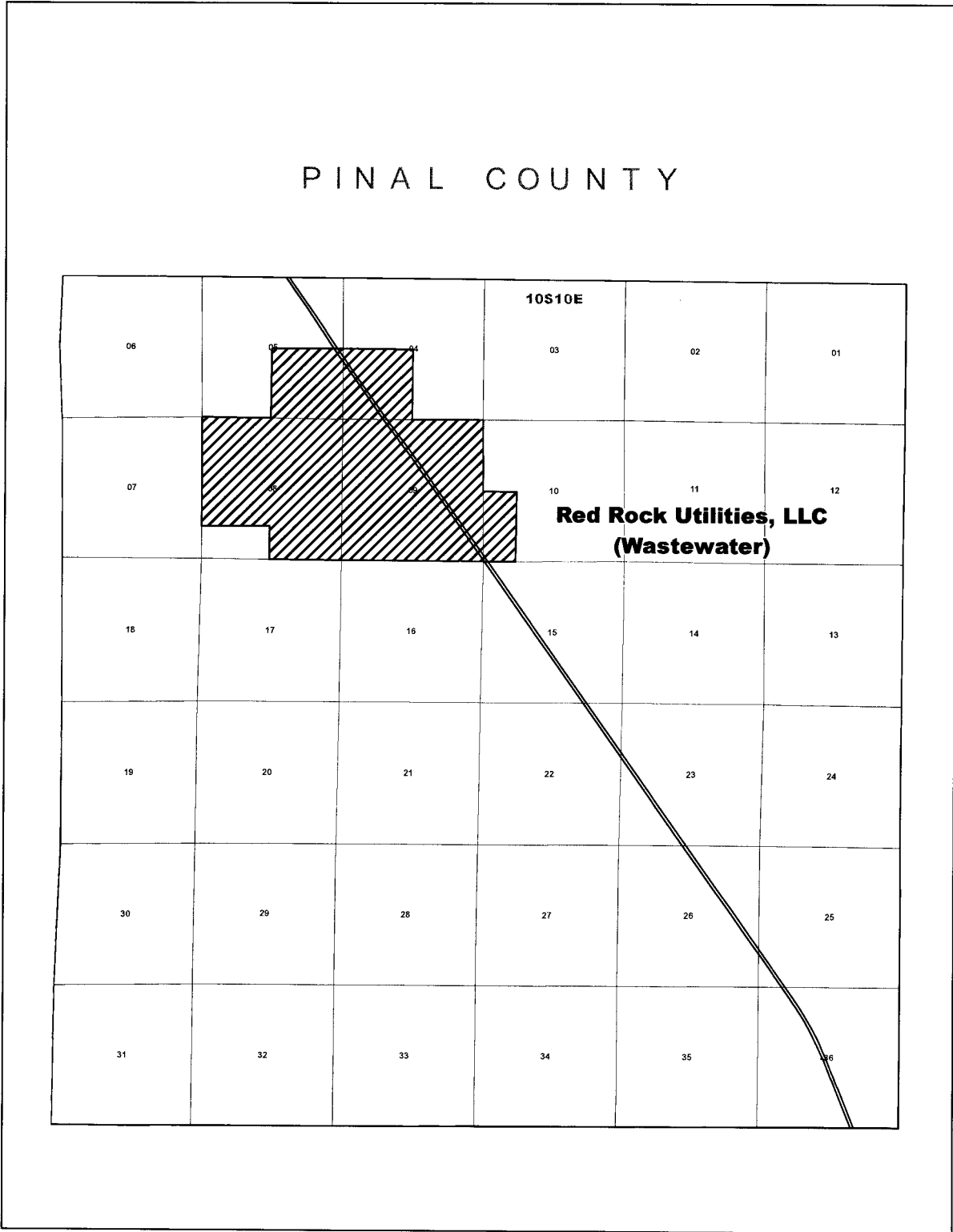


FIGURE 3 SYSTEMATIC DRAWING

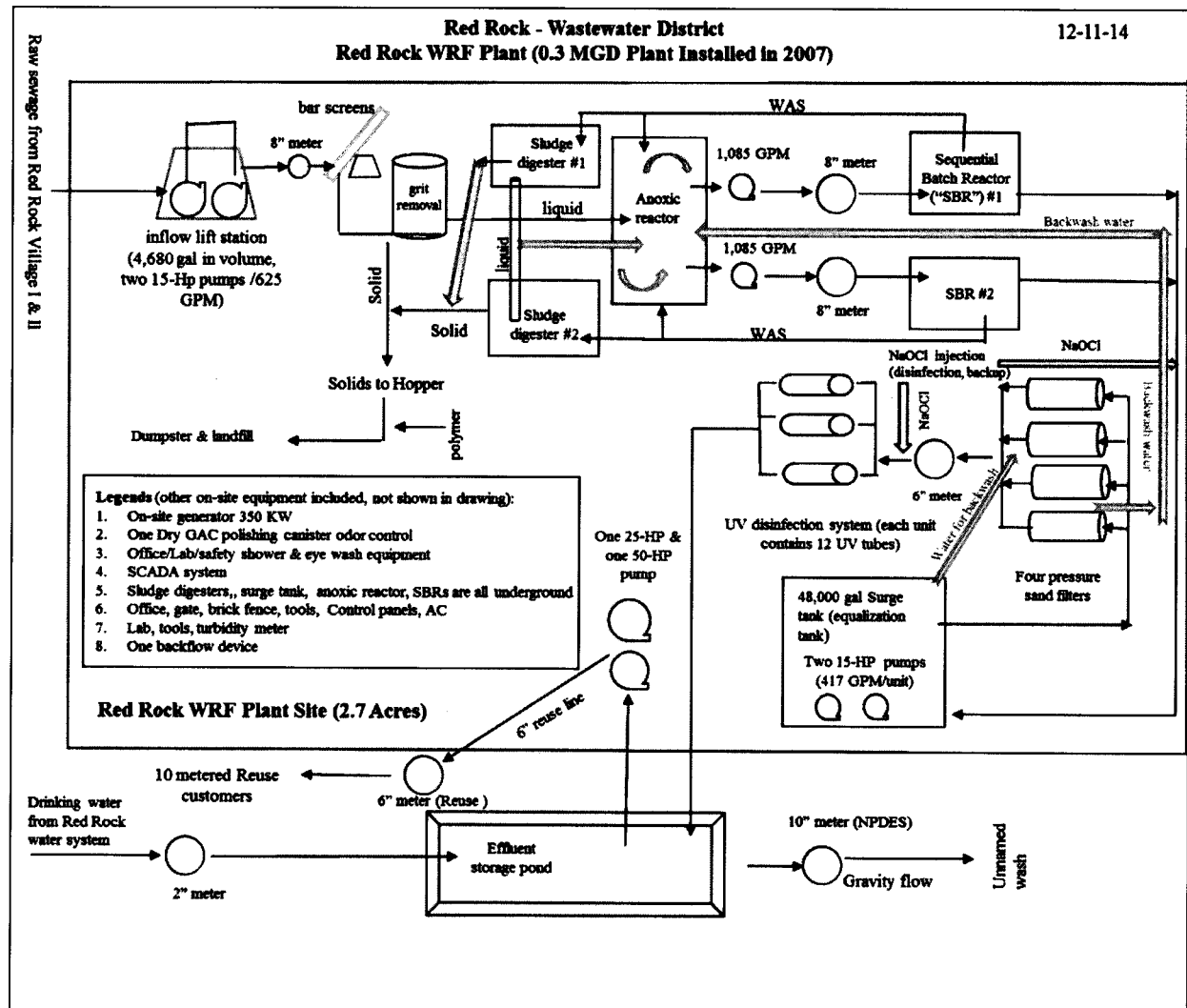


FIGURE 4

WASTEWATER FLOW IN RED ROCK-WW SERVICE AREA

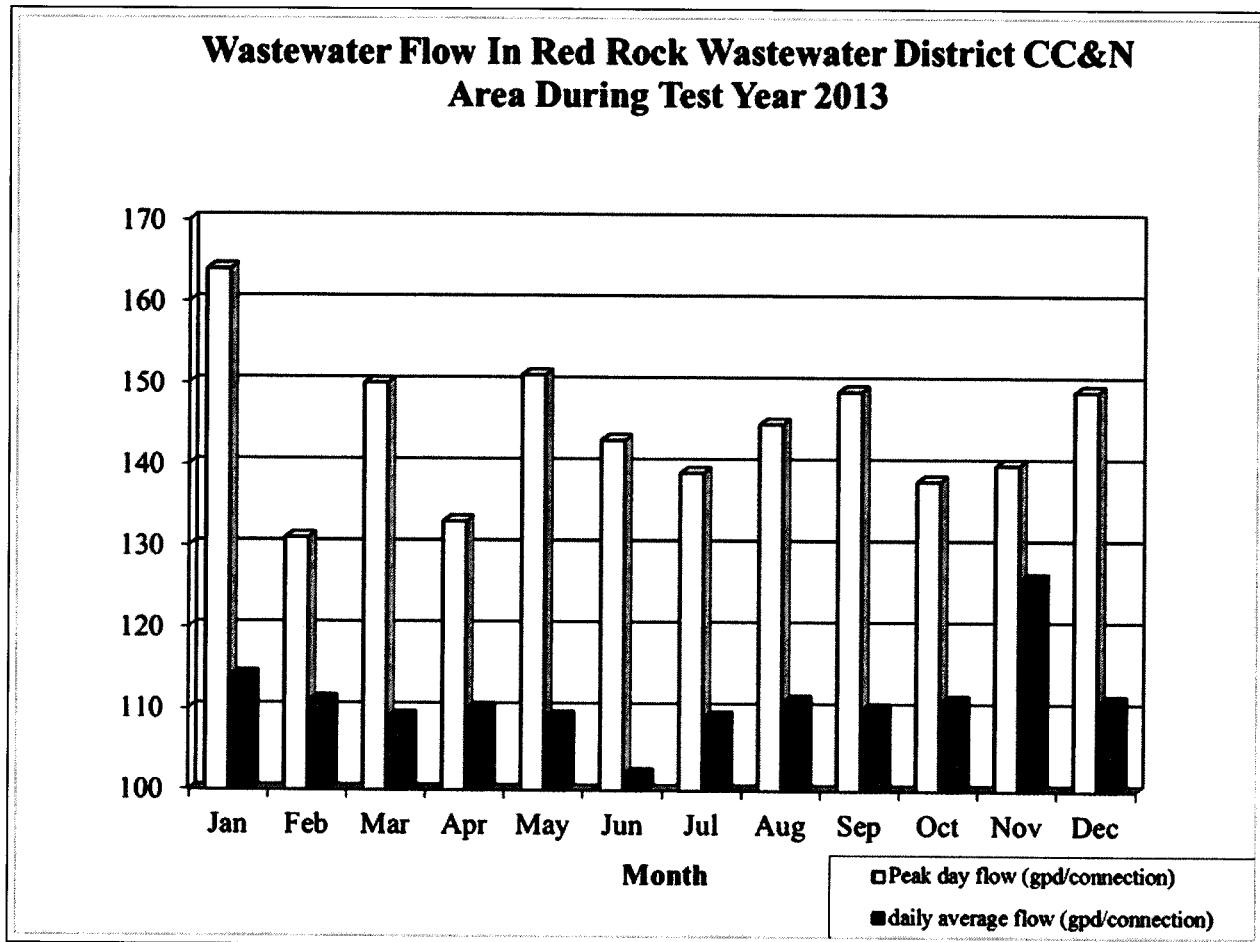


FIGURE 5

ACTUAL AND PROJECTED GROWTH IN RED ROCK-WW SERVICE AREA

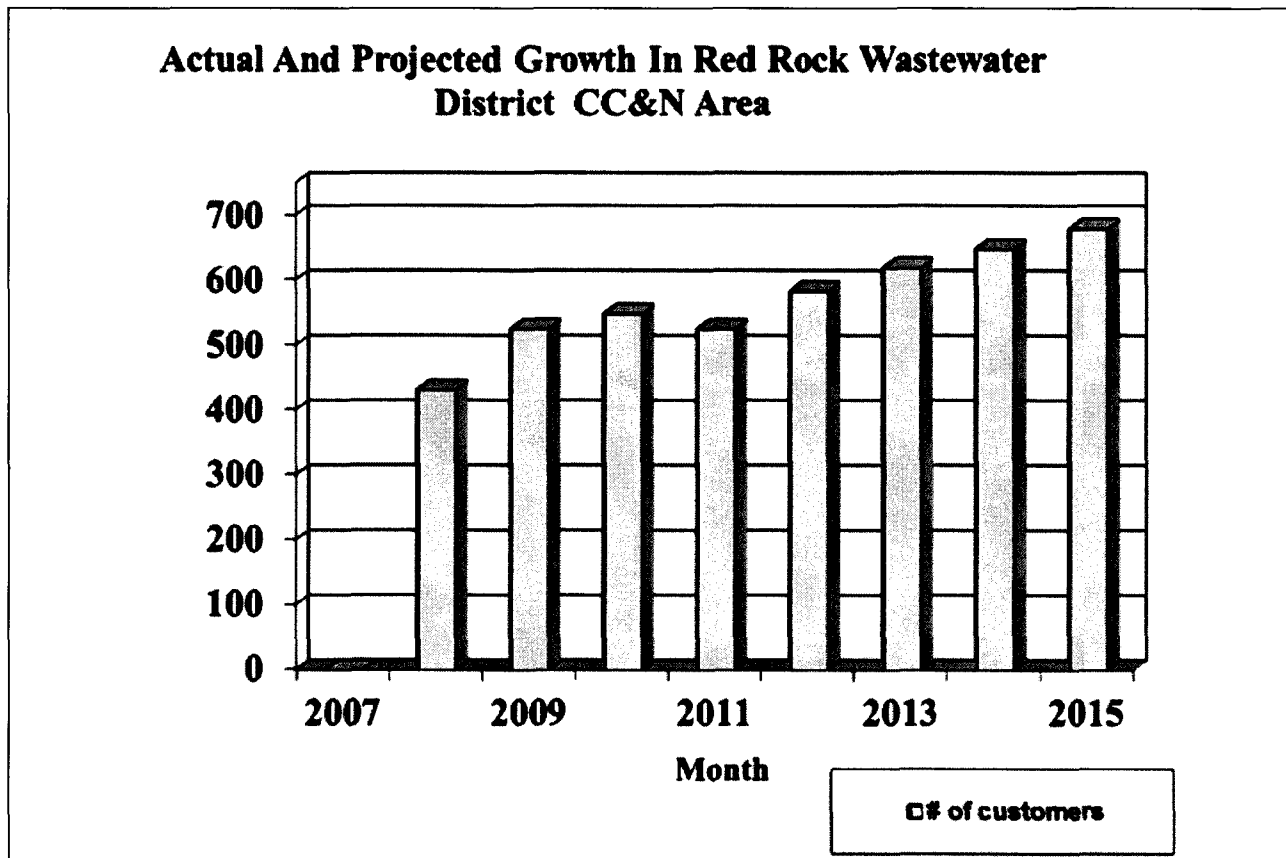


FIGURE 6

Depreciation Rates for RR -WW

NARUC Acct #	Depreciable Plant	Decision #67409	Co. Proposed Rate (%)	Staff Recommended Rate (%)
351	Organization	0	0	0
352	Franchises	0	0	0
353	Land & Land Rights	0	0	0
354	Structure & Improvements	3.33	3.33	3.33
355	Power Generation Equipment	3.33	5.00	3.33
360	Collection Sewers - Force	2.00	2.00	2.00
361	Collection Sewers - Gravity	2.00	2.00	2.00
362	Special Collection Structures	2.00	2.00	2.00
363	Service to Connections	2.00	2.00	2.00
364	Flow Measuring Devices	10.00	10.00	10.00
365	Flow Measuring Installations	5.00	N/A	5.00
366	Reuse Services	2.00	2.00	2.00
367	Reuse Meters & Meter Installations	3.33	8.33	8.33
370	Receiving Wells	3.33	3.33	3.33
371	Pump Equipment	10.0	12.50	12.50
374	Reuse Distribution Reservoirs	2.50	2.50	2.50
375	Reuse Transmission and Distribution System	2.00	2.50	2.50
380	Treatment & Disposal Equipment	5.00	5.00	5.00
381	Plant Sewers	5.00	5.00	5.00
382	Outfall Sewer Lines	4.00	3.33	3.33
389	Other Plant & Misc Equipment	6.67	6.67	6.67
390	Office Furniture & Equipment	6.67	6.67	6.67
390.1	Computer & Software	20.00	20.00	20.00
391	Transportation Equipment	20.00	20.00	20.00
392	Store Equipment	4.00	4.00	4.00
393	Tools, Shop, Garage Equipment	5.00	5.00	5.00
394	Lab Equipment	10.00	10.00	10.00
395	Power Operated Equipment	5.00	N/A	5.00
396	Communication Equipment	10.00	10.00	10.00
397	Miscellaneous Equipment	10.00	N/A	10.00
398	Other plants	---	10.00	10.00

FIGURE 7
Red Rock – WW Revised Schedule B-2

Line No.	Acct. No.	Description	Col. A Unadjusted Book Plant in Services	Col. B Reclassified Plant	Col. C Adjusted PIS before Capacity Adj.	Col. D 72 % Company Excess Capacity	Col. E Not Used & Useful Plant	Col. F Adjusted Plant in Service Col. C - Col. D - Col. E	Col. G Recommended Accumulated Depreciation	Col. F Net Plant Col. D - Col. E.
		Plant In Service								
1	351	Organization Costs	\$ 11,983	\$ -	\$ 11,983		\$ -	\$ 11,983	0	\$ 11,983
2	352	Franchise Costs	59,751	-	59,751		(4,924)	54,827	0	54,827
3	353	Land & Land Rights	6,538	-	6,538		-	6,538	0	6,538
4	354	Structure & Improvements	14,298	3,072,247	3,086,545	(2,222,312)	-	864,233	215,054	649,179
5	355	Power Generation Equipment	-	31,432	31,432		-	31,432	11,787	19,645
6	360	Collection Sewer Forced	-	-	-		-	-	0	-
7	361	Collection Sewer Gravity	5,978,394	-	5,978,394		(549,043)	5,429,351	637,988	4,791,363
8	362	Special Collecting Structures	-	-	-		-	-	0	-
9	363	Customer Services	-	-	-		-	-	0	-
10	364	Flow Measuring Devices	-	-	-		-	-	0	-
11	366	Reuse Services	26,931	-	26,931		-	26,931	2,935	23,996
12	367	Reuse Meters and Installation	-	-	-		-	-	0	-
13	370.0	Receiving Wells	-	-	-		-	-	0	-
14	371.0	Pumping Equipment	-	49,042	49,042	(35,310)	-	13,732	12,874	858
15	374	Reuse Distribution Reservoirs	280,411	-	280,411		-	280,411	31,155	249,256
16	375	Reuse Transmission & Distrib. System	625,073	-	625,073		-	625,073	82,831	542,242
17	380	Treatment & Disposal Equipment	5,240,123	(3,131,509)	2,108,614	(1,518,202)	-	590,412	167,280	423,132
18	381	Plant Sewers	-	-	-		-	-	0	-
19	382	Outfall Sewer Lines	-	-	-		-	-	0	-
20	389	Other Sewer Plant & Equipment	-	-	-		-	-	0	-
21	390	Office Furniture & Equipment	10,039	-	10,039		-	10,039	4,413	5,626
22	390	Computers and Software	-	-	-		-	-	0	-
23	391	Transportation Equipment	8,224	-	8,224		-	8,224	8,224	0
24	392	Stores Equipment	-	-	-		-	-	0	-
25	393	Tools, Shop & Garage Equipment	-	-	-		-	-	0	-
26	394	Laboratory Equipment	790	-	790		-	790	737	53
27	396	Communication Equipment	-	882	882		-	882	622	221
28	398	Other Tangible Plant	-	-	-		-	-	-	-
29										
30										
31		TOTAL	\$ 12,262,555	\$ 22,094	\$ 12,284,649	\$ (3,775,825)	\$ (553,967)	\$ 7,954,857	\$ 1,175,938	\$ 6,778,919